

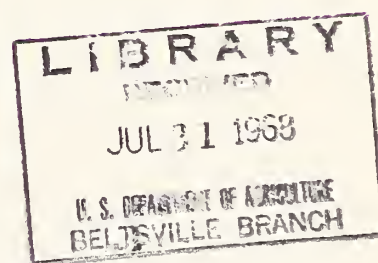
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HOW U.S. COTTON IS SOLD FOR EXPORT



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U.S. DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE

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Foreword

Since the end of World War II, exports of U.S. cotton have fluctuated considerably each cotton marketing season. The largest volume in the postwar period—7,598,000 running bales—was shipped out in 1956-57; the smallest—1,967,000—in 1947-48. In 1967-68 exports are expected to total 4,200,000 bales. Stiff competition from foreign cotton and manmade fibers has been responsible for these fluctuations. Special U.S. export programs have remedied the situation from time to time, but the position of the American cotton exporter has usually been a difficult one.

This publication is designed for those interested in cotton exports and covers what is involved in selling U.S. cotton abroad. Since it was first issued in 1959 and revised in 1960, 1962, 1963, and 1964, a number of changes have occurred in the cotton marketing scene. This edition incorporates those changes, including revisions in the Public Law 480 cotton regulations. The section entitled “Working of Foreign Cotton Arbitration Boards” has been updated as to fees, systems, etc. The section “Cotton Buying Practices in Foreign Countries” has been expanded because more African countries—whose cotton industries are being built up and whose local production is still negligible—have become buyers of American cotton.

The author acknowledges the assistance of cotton tradespeople, U.S. Government personnel, and the Export-Import Bank.

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How U.S. Cotton Is Sold For Export

By Guy A. W. Schilling
Cotton Division

ORGANIZATION OF THE U.S. RAW COTTON TRADE

The U.S. cotton trade comprises all the firms or individuals handling the buying, selling, and shipping of cotton from the time it is ginned until it reaches the mill door in the United States or abroad.

In this publication, "cotton" refers to raw cotton, while "spot cotton" refers to actual raw cotton in bales. "Cotton futures" is defined as a contract for delivery or receipt of raw cotton during a certain month; in most cases a cotton futures contract is offset by a purchase or sale of a cotton futures contract and no actual cotton moves in the transaction (see section entitled "Hedging").

The marketing of cotton begins almost as soon as lint (ginned) cotton is baled at the gins, although some farmers retain possession of the bales until a later date. Frequently, the bales are bought at the gin by ginner, country buyers for cotton merchants, mill buyers, and country merchants. If farmers who retain the bales do not put their cotton into the Government Loan, they may later give samples of the cotton to a spot broker in a bigger market for selling on a commission basis. Ginners who buy the cotton they gin may wait until they accumulate a certain number of bales before selling them to mill buyers, country buyers or merchants, and country merchants. Ginners may also give samples of their cotton to spot cotton brokers for sale. Cotton in the hands of the country merchants is also sold to mill buyers and country buyers for merchants. Usually cotton bought by U.S. mill buyers is not resold further but is manufactured into textiles. If mills cannot consume the cotton purchased, they resell it to merchants or export it.

Spot cotton brokers offer for sale cotton belonging to farmers, ginners, mills, and cotton merchants. The latter use a spot cotton broker to sell lots of cotton that they wish to dispose of because they have no sale for it. The main business of spot cotton brokers is dealing with actual cotton, i.e., selling the cotton on actual samples of each bale, but they also do business for cotton merchants on a forward delivery and "guaranteed through" basis. This means that cotton merchants may offer cotton for sale for later delivery through spot cotton brokers, with the quality and weights guaranteed through to destination. The outlets of a spot cotton broker are mill buyers and city buyers for cotton merchants.

The cotton growers' cooperatives, which have increased in number during the last few years, and the cotton merchants do the bulk of the selling to U.S. mills and for export; they are the main subject of this publication. Of course, they do some selling among themselves at times when the cotton needed cannot be found at the gins, with the farmers, or today in particular, in CCC stocks.

After ginning, the cotton is compressed into flat bales of 12 pounds per cubic foot; the bales are usually shipped to a public interior warehouse for storing or for compressing in transit—to standard density (23 lb. per cu. ft.) if the cotton is destined for a domestic mill or to high density (33 lb. per cu. ft.) if it is to be exported. Cotton that is to be delivered to a mill near a gin may be shipped as flat bales. Domestic mills require either flat or

standard-density bales. When a warehouse receives cotton for storage, the flat bales are sometimes compressed immediately to standard or high density in order to save storage space. All warehouses at ports have both standard-density and high-density presses; some in the interior have only standard-density presses, while some have both. Merchants at times move cotton from several warehouses to one central one in order to concentrate their stocks and facilitate shipments of carloads to obtain lower railroad rates.

Since World War II, there has been a modest, yet slowly increasing, adoption of new designs of bales presses by ginneries, particularly in the West. These newer presses turn out bales as dense as or denser than the standard-density bales compressed at warehouses and eliminate the need to compress the cotton into flat bales at the gins.

The services performed at a warehouse, besides compressing and storing, include sampling, weighing, patching (repairing the cover of the bale and applying new cover material, patches, or markers), marking (stenciling identification mark), banding, and replacing or repairing bands. The warehouses issue negotiable warehouse receipts for the cotton stored; the owners of the cotton can use these as collateral against loans from banks or the government on the cotton. Also, title to the cotton represented by the receipt is frequently transferred from the original depositor to subsequent owners by the negotiator of the receipts. The warehouses attend also to loading of bales on railroad cars or trucks. Some of the merchants own warehouses where they usually store their own cotton, as well as that belonging to others. Most warehouses are bonded.

Studies have been made regarding the packaging of American cotton bales, and great efforts are being made to improve it.

Cotton is an expensive commodity, and merchants handling large stocks require a great deal of bank financing. Usually, the capital of a cotton merchant represents only a small fraction of the value of his total turnover. The banks are usually willing to finance a fairly large percentage (about 85 percent) of the value of a bale of cotton, but they keep a close check on the quality of the bales pledged as collateral. Payment for cotton sold to a U.S. mill is usually made by sight draft on the mill or by check against bills of lading and other documents. Cotton exported is usually paid for by sight draft against confirmed irrevocable letters of credit, though other terms might be used (see the section entitled "Sales Terms"). Cotton traded between merchants in the same locality is paid for by check against warehouse receipts or bills of lading. Cotton sold by farmers, ginneries, and country merchants is paid for by check or sight draft on the buyer against warehouse receipts or bills of lading evidencing shipment to a warehouse or a mill.

Practically all cotton merchants and cotton brokers are members of the American Cotton Shippers Association (ACSA), with headquarters in Memphis, Tenn. The various areas of the Cotton Belt have their own cotton associations as follows:

Georgia, Alabama, North and South Carolina, Virginia, Florida:
Atlantic Cotton Association, Atlanta, Ga.

Mississippi, Louisiana, Tennessee:
Southern Cotton Association, Memphis, Tenn.

Arkansas, Missouri:
Arkansas-Missouri Cotton Trade Association, Little Rock, Ark.

Texas:
The Texas Cotton Association, Waco, Tex.

Oklahoma:
The Oklahoma State Cotton Exchange, Oklahoma City, Okla.

New Mexico, Arizona, California:
Western Cotton Shippers Association, Los Angeles, Calif

These six associations are in turn affiliated with ACSA, which has a great many associate members who are not members of the cotton trade, like bankers, steamship lines, freight brokers, insurance organizations, warehouse companies, and the like.

WHO EXPORTS COTTON

U.S. cotton merchants do not all participate in the export trade. Some of them confine their business to selling cotton to U.S. mills, while a few do only an export business. After World War II, some cotton merchandising firms which had never exported went into the export business. The Agency for International Development (AID) and its predecessors, as well as Public Law 480 programs, were probably responsible for this because they facilitated the financing of cotton exports. The system of financing under these programs, using letter of commitment issued by the Commodity Credit Corporation (CCC) with banks, eliminated the risk to the exporter; finances became available at once, and the exporter did not need to wait for payment as he might have had to before such programs were begun and sales were made on a cash basis.

In this publication, all cotton merchants and cotton growers' cooperatives that export are referred to as "exporters."

The principal cotton markets where such exporters are located are Atlanta, Ga.; Montgomery, Ala.; Memphis, Tenn.; Greenwood, Miss.; Galveston, Houston, Dallas, Lubbock, and El Paso, Tex.; Phoenix, Ariz.; and Bakersfield, Mexicali, Los Angeles, and Fresno, Calif. Some exporters are also located in small cities throughout the Cotton Belt from the east coast to the west coast.

For the last several years the principal source of cotton supply has been the CCC, which on August 1, 1966, owned stocks of as much as 12.3 million bales. Cotton in CCC stocks is sold to merchants, exporters, and American mills under various U.S. Government sales programs administered by the Agricultural Stabilization and Conservation Service's commodity office in New Orleans.

Since this publication is concerned mainly with export trade practices, the activities of an exporter prior to offering cotton for export will not be dealt with in detail except when they are important to a certain phase of the export trade. These activities have already been covered briefly in the section entitled "Organization of the U.S. Cotton Trade."

It should be said at the outset that not every cotton exporter covers all the available export markets for U.S. cotton or offers all the varieties and growths produced in this country. Some exporters concentrate only on certain areas or certain countries of the world; some, on certain U.S. growths. An exporting firm might sell only in a few of the 50-odd foreign countries using U.S. cotton. It is difficult and expensive to serve 50 or more foreign countries well. Some of these countries are small markets, and the cost of servicing them is prohibitive. A number of American firms handle, besides U.S. cotton, other growths such as Mexican, Brazilian, Peruvian, Central American, etc. Some American firms have offices or agents in these countries or send buyers to them. At one time, a few U.S. firms had offices in the United Arab Republic (UAR), but because of the nationalization of the cotton trade in that country, they have withdrawn.

The number of bales exported annually by cotton firms varies from less than 1,000 per firm to close to a million. The number of firms exporting over 100,000 bales is small. The greatest number of firms is in the group exporting 15,000 to 100,000. Before World War II, some firms handled well over a million bales. In the past 2 to 5 years some old firms have reduced or suspended cotton deals because of limited chances to make a profit in the face of stiff competition from foreign growths.

Overall, the number of cotton firms has declined since the early 1950's.

Some exporters do business in export markets under trade names as well as their own. For a trade name an exporter usually engages agents different from the one he uses for his own firm. The main purpose of using trade names is to have wider outlets; an agent does not or cannot always sell to all clients in a country. Many small exporters, however, do not feel that trade names are necessary.

Another kind of exporter with a connection or connections abroad, who works with a very small staff, if any, should be mentioned. He buys cotton from merchants or exporters on the same terms on which he sells it to foreign clients. He could be called either a buying or selling agent and makes only a commission on such sales. All the shipping documents are made out in his name by the seller. The quality, weight, tare, and so forth, are "guaranteed through" for quality, weight, and tare to destination by the seller. The buying agent pays the seller upon presentation of all the shipping documents and draws a draft, with these documents attached, on his foreign client against a letter of credit. The turnover done on this basis is becoming very small compared with the exporters' direct business with foreign connections.

There are also some general import-export firms which handle all kinds of commodities and materials and which buy cotton for export on a "guaranteed through" basis, as outlined above, from merchants or exporters

because they are not equipped to buy it first hand in the country or the spot markets as most cotton exporters do. Some of these transactions might at times be connected with barter deals. Most of these firms are located in New York City.

Some countries, primarily those which have become independent only recently, with small cotton industries buy cotton through "tender notices" distributed by their Washington embassies to the ACSA and direct to each of the exporting cotton growers' cooperatives. Others appoint American steamship agents or general import-export firms to buy the cotton. These firms must be approved by the U.S. Department of Agriculture.

ESTABLISHING CONNECTIONS ABROAD

The cotton export business involves greater expenses than domestic business before a sale is made because the greater distances involved mean higher telegraph and telephone costs and greater transportation expenses for making personal contacts and for forwarding samples and types. To make a sale abroad, an exporter must establish a connection with an agent or merchant (importer) or with a mill. In new cotton-consuming countries it is difficult to find qualified cotton-selling agents; there, direct mill connections may be established. Normally, one trip or more abroad is made in order to establish satisfactory connections and learn about the usual terms of trade in a particular country, the quality requirements of the mills, and the like. The foreign connection must be supplied with type samples if some business is to be done on exporters' private types instead of universal standards. If the exporter has to submit types to match specific requirements of a mill, he needs considerable time for their preparation and approval. The exporter may also want to prepare types to represent certain cottons he specializes in. An agency agreement is usually signed between the exporter and his agent, foreign merchant, or foreign mill. This agreement covers matters such as the rate of commission, an understanding about the method of offering, the telegraph code or codes to be used, the duration of the contract, and the expenses to be borne by each party. These arrangements require a lot of time and work. Each exporter has his own ideas about the form of such an agreement, and there is no standard form of contract.

The large exporting firms may have their own branches or affiliates in some countries, but the number of these is decreasing because U.S. cotton exports are not so large as they once were. A few firms have central offices in charge of all agents in the countries of a certain area. In the export trade most of the business is done through foreign-based agents of the exporters, and only a small percentage is carried on through direct connections with foreign merchants or mills. Since World War II, some cotton-processing countries have bought their cotton requirements direct from the exporters through government agencies. A direct mill business is done in countries where the number of mills is limited or a new textile industry is to be developed or where old friendships are involved. To conduct a successful business abroad and keep the personal contact alive, regular trips are beneficial. Of course, foreign importers and mill representatives also visit the U.S. exporters.

The cotton export business involves a constant study of the prices of competing foreign growths like Mexican, Brazilian, Central American, Syrian, African, Greek, and others, as well as of the financial position of the foreign cotton-consuming countries. In recent years, U.S. foreign aid and surplus disposal programs have been of great importance to U.S. cotton exporters, who watch closely the news from Washington about such programs.

Many U.S. cotton exporters also handle Mexican cotton. As a matter of fact, the bulk of the Mexican cotton export business is in the hands of U.S. cotton exporters. However, the number of Mexican firms doing this business is increasing. Until about 10 years ago, most of Mexico's cotton exports went through U.S. ports, mainly Brownsville, Tex., and San Diego, Calif.; however, in 1966-67 exports of Mexican cotton through U.S. ports were down to 69,000 bales from 204,000 a year earlier. Much of the cotton now moves through Guaymas and Ensanada, on Mexico's west coast, where port facilities have been improved. Mexican cotton is sold for export on the same terms as is U.S. cotton and is also classed the same.

METHODS OF OFFERING COTTON

When all selling arrangements have been completed, the exporter is ready to offer cotton to his agent, the foreign merchant, or the foreign mill, depending on the connection he has made in the foreign country. There are several kinds of offers: "firm," "regular," "good until cancelled," "special," and "good for a specified length of

time.” Instead of regular offers, some exporters send out quotation lists. Of course, quotations are not firm offers but merely indications of price. Exporters also make offers “subject to confirmation.” This happens when certain qualities are scarce or an exporter has the same qualities under offer elsewhere. Today, actual business is done mostly as a result of special offers because of dollar shortages and keen competition from foreign cotton-growing countries and from manmade fibers. Therefore, foreign importers tend to buy the cheapest cotton available. Some exporters’ agents may reduce their selling commissions (usually between 1 and 1½ percent) in order to meet competition when their offers are very close to competitive offers.

The present CCC export sales programs have changed—though perhaps only temporarily—the traditional system of offering cotton “on call” and making sales “on call.” This is a practice where only premiums or discounts “on” or “off” a certain futures month for the various grades, staples and micronaire are established, while the price of the basic futures month may remain unfixed until a certain time. (Since the futures month for Middling Inch is based on cotton delivered to a futures delivery point in the United States, the “ons” and “offs” must include the charges for ocean freight, selling commission, ocean and war-risk insurance, controller’s fee, profit, and conversion of gross weight into net weight in order to reflect the c.i.f. or c. & f. price, if so sold.) The change is due to the fact that CCC sells its cotton at fixed prices, i.e., where basis (“ons” or “offs”) and the price of the basic futures month have been established. Fixed prices are also called “final” prices. However, in order to describe the usual practices of the cotton trade, this publication also covers “on call” business because both export and domestic sales are occasionally still made on this basis. Even though most of the business is done today at fixed or final prices, the basis (“on” and “off” the futures month) remains important to the exporter or the cotton merchant because he watches very closely the changes in premiums and discounts (“ons” and “offs”) for the various grades, staples, and micronaire over the basic quality, Middling Inch, and still thinks in terms of premiums and discounts.

In addition to the price, all offers or quotations specify the quantity, the quality, the terms (delivery and mode of payment), the shipment, the arrival or the delivery periods, and the period for which the offers are valid.

Prior to initiation of the CCC export sales programs, most offers were made “on call.” When a sale is made “on call,” it is necessary to watch for the specified fixation time or the expiration date of the futures month. This means that the price of the basic futures month must be established at a certain time, or, in trade parlance, the basic futures price must be “fixed” or “called.” Upon agreement between seller and buyer, the basic futures month before the price is fixed can be transferred to another one at the proper differences (at a premium or discount depending on the level of the new futures month) between the original and the new basic futures month. These differences, plus the futures commission paid for the transfer of the futures contracts, are reflected in the new basis (“ons” and “offs”). This might happen if the buyer for some reason wants to postpone the fixing of the price of the futures month, as for instance when a mill has no yarn or cloth sale against purchase of actual cotton. A mill would buy actual cotton ahead of a yarn or cloth sale, wishing to secure the basis (as premiums and discounts are called in the cotton trade) while it is low. On the other hand, if a mill considers the cotton futures month low, it would buy futures instead of actual cotton. The futures would then be sold when the mill buys spot (actual) cotton and it fixes the price of the futures month of its cotton purchase. This method of buying of cotton has become negligible.

The seller (exporter) may give price-fixing instructions to the buyer for an “on call” sale; i.e., he may instruct the buyer to buy futures contracts through a certain futures broker when the price of the sale is to be fixed.

At times exporters allow a certain discretion (so many points¹ less) on their offers to their agents. This is a concession in order not to lose a sale. The discretion is to be used only when absolutely necessary to close a sale.

Today, actual business results mostly from special inquiries for which special offers have been made or from bids which have been received from abroad.

Formerly, regular offers or quotation lists were for cottons an exporter either owned already or felt he could buy in the market at a certain price. These offers show only the “ons” and “offs” for the various descriptions. It was usually the larger exporters who made regular offers. The exporter based these offers on a price which he hoped would bring him his standard rate of profit (different with each exporter). Regular offers or quotation lists were usually “good until cancelled.” These offers or quotations were more or less an indication of going prices but did not necessarily represent the lowest prices an exporter would accept. Therefore, very little business resulted from regular offers. With a large exporter these regular offers could include almost a complete list of all existing descriptions, which include grade, color, character, staple, micronaire fineness, and Pressley strength specifications, plus his entire list of private types. These regular offers also stated the monthly premiums (carrying charges) required for forward

¹ A point equals one-hundredth of a U.S. cent.

shipments up to 12 months or more. Thus, it happened that "new crop" cotton was offered for sale before the crop had begun to be harvested and sometimes before it was planted. In prewar days sales of cotton were made even 2 to 3 years ahead.

Today, a large percentage of cotton export sales are made on private types, either prepared by the mills or by the exporters. Most types incorporate the grade, color, character, and staple required for the specific type of work done. Exporters' types represent cotton they know certain mills require or certain kinds of cotton that cannot be described well in terms of Universal Standards for U.S. cotton. At times private types represent only "grade, color, and character" or "grade and color," and the staple is described in terms of Official Standards. In addition to these features, these types might also represent specific micronaire or Pressley specifications. When business is done on type, the type is sealed in the presence of both the buyer and the seller or their representatives and used for arbitration purposes. Type business has proved very satisfactory, particularly if the types also incorporate staple, because in a type the buyer has before him all the characteristics of the cotton he wishes to buy. Since World War II, the U.S. cotton export business has gone more and more to private types. Low grades, particularly, are sold mostly on private types because it is often impossible to describe properly this kind of cotton in terms of Universal Standards.

With the smaller exporter regular offers or quotations lists represent only a limited range of descriptions or only the descriptions in which he specializes, plus his private types. Some exporters do not offer cotton grown beyond the territory of their office or offices. As the cotton season progresses, the number of descriptions included in these regular offers or quotation lists is reduced as supplies decline or the current crop deteriorates. By that time it is necessary to send out "new crop" offers, meaning offers for forward shipments.

Regular offers, also called offer lists, are communicated abroad by either airmail or cable, depending upon the urgency of the need for such offers. These regular offers are checked daily by the exporters, and changes are made daily if necessary. These changes may involve raising or reducing the basis (premiums and discounts) for the various qualities, transferring the basic futures month to another month because of the expiration of the basic futures month originally used in case of "on call" offers, changing the shipment or delivery periods, altering the number of bales offered, eliminating offers for certain qualities unobtainable, and so on.

Special offers are more specific; i.e., they usually pertain to a specific client who requested an offer for a certain quality or qualities. Special offers also represent offers for cotton an exporter is anxious to sell. An exporter usually figures the price very closely when making a special offer; hence, the price is lower than that of regular offers and may also be a fixed price; thus, the duration of such an offer is usually limited. Even the price of special offers may have to be changed if the market price of the qualities involved has gone up or down suddenly.

Special offers are made for "immediate" or "prompt" reply. Sufficient time must be allowed to send the cable, contact the buyer, and receive a reply; in most cases, this can be done within 24 hours, and it seldom takes more than a week. Sometimes the buyer states that he wants to have the special offers good for a specific length of time.

Some smaller firms that concentrate on domestic business confine their export business to offering only when they have specific export inquiries. In other words, they do not make regular offers.

In pre-World War II days, exporters consigned cotton abroad in anticipation of a demand in a certain country for quick delivery of certain qualities or because some of them wanted to have stocks abroad to offer to foreign buyers to choose from (i.e., the buyer would take only the bales he approved) against sales with "selection clauses," as they are called. This practice has not yet been resumed because war-risk insurance on stocks abroad either cannot be obtained or is very expensive. Consignments can become a burden when they do not move fairly quickly; it can turn out that the cotton is consigned to the wrong place, and storage charges are usually higher abroad than in the United States. Moving consignments from one country to another is expensive and from one continent to the other, almost prohibitive. In recent years one of the main reasons for consigning cotton abroad has been the obligation of the exporters to export the cotton they bought from CCC under the export sales programs within a specified period of time. Hence, some exporters who had no actual export sales against a purchase of CCC cotton consigned it instead of keeping it in the United States and paying the difference between the export sale price and the domestic price, as required by the regulations of the special export programs. Today, this reason no longer exists because there is no difference between the domestic mill price and export price. Furthermore, consignments are no longer financed under Public Law 480.

Instead of using cable service, some exporters use a teletype system with their foreign connections. To countries without censorship, exporters can use codes; some have their own private ones. The most popular cotton

code is “Buening’s,” made up by a German cotton dealer in Bremen. Others use English cotton codes such as “Bentley’s.” Coding a cable message requires experience and time, but in long messages, like cotton offers, the use of a code saves considerable money.

Offers contain the exact terms on which a sale is to be made. These terms vary with each country and with clients in the same country.

SALES TERMS

The basic terms of a sale contain the following main items: quantity, quality, price, terms of delivery, destination, shipment or delivery period, insurance, payment, commission (not usually stated in sales confirmations), controllers, and various special clauses. In the following description of sales terms, small sections have also been included on hedging, futures, price calculations, weight, arbitrations, and freight, all of which bear indirectly on the sales terms.

Quantity

Quantity is usually expressed in numbers of bales, with specified weight limitations to assure a minimum or maximum weight. Often, the quantity is expressed in pounds, kilograms, or metric tons.

Since World War II, many U.S. government aid programs, such as P.L. 480 and the programs administered by AID and its predecessors, have been instituted. At the present time, cotton exports are aided to certain countries only under P. L. 480. Most of the time, the allocation of funds under this program is made by the foreign government to the buyers in terms of monetary figures and not in terms of baleage or weight. In foreign countries not receiving U.S. aid, the availability of dollars is instrumental in determining the quantity the importer buys, which is usually expressed in bales, tons, or kilograms.

The most common bale unit traded is 100 bales or multiples thereof although smaller lots are not infrequent, particularly when specialty cotton (usually extra-long staple) is involved. However, when the allocation of funds is in terms of monetary value, the quantity of a sale may involve an odd number of bales.

Quality

Quality descriptions usually include the origin—like Memphis territory, Mississippi Delta, Orleans/Texas, Texas, California, California/Arizona/New Mexico, or Georgia/Alabama—and sometimes seed—like Acala, 1517, Acala 442, Acala SJ1, DPL—in addition to the following:

- a. Description in terms of Universal Standards for grade and color and U.S. Official Standards for staple (see Appendix).

Example: Universal Standard Middling Spotted one-inch staple.

- b. Description in terms of private (exporter’s or buyer’s) type.

Example: Grade, color, and staple equal to type BOND or grade and color equal to type LEBRA one-inch staple.

- c. Description in terms of USDA Form A certificate.

Example: Universal Standard Middling one-inch, USDA Form A certificate class.

Form A is the classification of samples freshly drawn and submitted before shipment to a USDA classing office direct from a public warehouse at the request of the owner of the cotton or his agent. Such classification or comparison is evidenced by a Form A memorandum. This classification is final; the cotton cannot be arbitrated, and quality claims are not recognized.

For almost 20 years, some of the quality descriptions of U.S. cotton sales have included more and more micronaire and Pressley specifications in regard to fineness and strength. These are specified behind the grade, color, and staple descriptions as micronaire and Pressley, as shown in the next paragraph. These mean that the cotton must test accordingly but within certain tolerances which are stated in the sale contract. For these additional specifications, the exporters demand varying amounts of premium.

Below are some clauses that the exporters use in their sales contracts. They vary with exporters.

Micronaire Terms

Min. micronaire 3.5.	Micronaire range 3.6 through 4.5, no control limit.
Min. micronaire 4.0, control limit.	Micronaire range 3.8 through 4.8, no tolerance, 100 percent certificate.
Min. micronaire 4.0, no control limit.	Micronaire range 4.0 through 5.0, average 4.6.
Min. micronaire 3.8, no tolerance, 100 percent certificate.	Micronaire range 3.8 through 4.2, without tolerance.
Min. micronaire 3.5, average 4.0 or higher	Micronaire range 3.0 through 3.4, average 3.2 or higher.
Min. micronaire 5.1, average 5.2 through 5.3.	Micronaire range 3.5 through 4.7, average 3.9 through 4.1.
Micronaire range 3.6 through 4.6.	

Pressley Terms

Pressley fiber strength not below 78,000 pounds per square inch, no tolerance, 10 percent certificate.

Seller's certificate for Pressley 78,000 pounds per square inch on 10 percent of the shipment, without tolerance.

Pressley fiber strength not below 82,000 pounds per square inch.

Pressley fiber strength not below 80,000 pounds per square inch, 10 percent certificate.

No other statement about micronaire differences is necessary because that is covered automatically by reference to the trade rules (Liverpool, Bremen, etc.) which govern the contract. While it is, of course, conceivable to make a contract which allows the delivery of cotton with varying laboratory specifications, at some agreed price differential, this would not generally be done because nobody would know what the commitment really is. What premium or discount to charge or to allow for various specifications at time of sale naturally depends on a lot of things, such as the actual or prospective availability of the particular specification within the particular grade and staple and growth, the merchant's stock position, etc.

Price

Price is usually expressed in U.S. cents per pound and is either fixed (final) or "on call." Since the institution of the CCC cotton export sales program, practically all the business is done at a fixed price because CCC sells its cotton at a fixed price.

A fixed price is a price where both the basis (premiums and discounts on or off the futures month) for a certain quality and the price of the futures month are established. For example:

December N.Y. futures	32.50 cents per pound
Basis for a certain quality	<u>5.00</u> cents on
Fixed price (final price)	37.50 cents per pound

An “on call” price is a price establishing only the basis (premiums or discounts to be deducted from or added to the futures month as in example above, “500 on December N.Y.”) for a certain grade and staple.

When a sale is made “on call,” the contract (sale confirmation) specifies when the price of the futures month must be established. The sale is mostly “buyers’ call,” which means that the buyer sets a time or level when the price of the futures month is to be established or, as said in the trade, fixed. However, the contract frequently provides for fixing the price before shipment to avoid making provisional invoices and a price adjustment later. Invoicing cotton at a provisional price makes it necessary to watch the fluctuations of the futures month and call for margins payments if the provisional price has been set too low because the futures month has gone up. The buyer can request the seller to transfer the basic futures month to another one instead of fixing the price when due.

Sales in a Foreign Currency

In prewar days many sales were made in terms of foreign currencies; even until a few years ago some sales, particularly to Liverpool, were made in pence per pound and also “on call” based on Liverpool futures.

Making sales in currencies other than dollars necessitates selling the foreign exchange, i.e., selling a foreign exchange contract for the amount of foreign currency involved to secure the dollar equivalent, for delivery when the foreign currency is due to be paid. Failure to “hedge” the foreign exchange can be as disastrous as failing to hedge the futures month in the price of cotton; the foreign currency may be devalued as was the pound sterling in November 1967. Today, no sales are made in foreign currencies because many of them are unstable.

Hedging

At this point it seems necessary to say a few words about the hedging of sales and purchases of cotton. Hedging can be called price insurance although it is not a complete protection because there are two components in the final (fixed) price of cotton. These components are (1) the futures month and (2) the basis (premiums and discounts) for the various qualities at a given location for actual (also called “spot”) cotton. A hedge insures only against price fluctuations of the futures month on which the basis of the cotton is based. Futures are sold against a purchase of actual cotton, and futures are bought against a sale. There is no proper hedge against the basis (premiums and discounts) for a purchase or sale of actual (spot) cotton, except perhaps to keep an even “basis position,” i.e., a position where purchases and sales of actual (spot) cotton bought and sold “on call” and at “fixed price” balance irrespective of quality. An even “basis position” does, however, minimize the risk.

Futures

The futures month on which the merchant bases the price of a purchase or sale of actual (spot) cotton for near delivery is normally a near month, i.e., November shipment on December futures. There are exceptions, of course, when the near month is considered too low or too high, depending on whether futures are bought or sold. Forward purchases or sales are normally based on the distant months. The proper placing of hedges, buying or selling cotton futures is an intricate matter which requires close study.

The cotton futures markets in the United States are New York, New Orleans, and Chicago.

The only active cotton futures market in the United States today is in New York (98 years old), but the turnover is very small. New Orleans and Chicago have suspended trading in cotton futures until conditions warrant it. These inactive organizations have been kept alive, and their offices still operate for their memberships to answer questions, give out cotton information, and answer mail.

Abroad, there are cotton futures markets in Liverpool, Bremen, Bombay, Karachi, Osaka, and São Paulo. Alexandria’s (UAR) futures trading was discontinued in August 1966. The Le Havre cotton futures trading has been suspended since World War II. Bombay and Karachi still have fairly active cotton futures markets. Liverpool has discontinued trading.

The pamphlet “New Cotton Futures” published by the New York Cotton Exchange states:

The August 1, 1967, carryover stocks of the longer staples and more desirable grades will be scarce, forcing mills and merchants to rely almost entirely on new production for their needs. Dependence upon new production means many business risks for those in the cotton industry. The

economic and political climate affects supply, as do growing conditions. Because of the elimination of the surplus of better staple cotton, prices for these qualities will be free to react to changes in these fundamental factors. Adverse price changes can spell disaster for the cotton farmer, merchant, or mill owner. Although there are many forms of insurance for normal business risks, there is no insurance policy to protect against price changes. There is a means, however, to minimize the effect of adverse price movements: the futures market.

Hence, to fill the void that exists a new contract called No. 2 has been evolved based on Middling 1-1/16 inch cotton instead of Middling Inch. This, with other alterations that have been incorporated, has created a contract which should again meet the requirements of producers, merchants, and mills as they exist today, providing them with a viable futures market which will make available to each group the price protection it must have to operate to its own best advantage by protecting investments from losses due to price changes.

This contract No. 2 was instituted in the belief it will:

Reflect the true market value for nearly two-thirds of the annual production of cotton. On the contrary, the present contract represents qualities in high surplus rather than the value of merchantable cotton in the current crop.

Insure buyers and sellers alike a market which they can use to protect their interests.

Encourage speculation and increase market activity.

Provide textile mills an opportunity to fix the base price of cotton (plus or minus discounts) against cloth orders prior to movement of crop or actual placing of contracts for the actual cotton.

Result in trading prices fluctuating with the supply and demand situation.

Enable American cotton merchants to hedge much of foreign cotton they handle.

Terms of New York "New Contract No. 2" as published by the New York Cotton Exchange

Trading hours.—The Exchange opens at 10:30 a.m. and closes at 3:30 p.m., New York time, Monday through Friday, holidays excepted. Contracts shall not be traded after 12:00 noon on the eighth business day prior to the last delivery of the month.

Delivery months.—Trading is regularly conducted for deliveries in the current month and the 17 succeeding months.

Trading unit.—A contract for cotton is a unit of 50,000 pounds (approximately 100 bales) with an allowance of 1 percent more or less.

Price quotations and minimum fluctuations.—Prices are quoted in cents and hundredths of a cent, showing as 0.2255 or 22 cents and 55/100 cents. The minimum fluctuation is 1/100 cent, equivalent to \$5.00 per contract.

Daily limits on price movement.—No limit is imposed on and after the first day of the current delivery month. In others, prices may move no more than 2 cents above or below the lowest price in the closing range of the previous market session. During any session, trades may not be made at prices more than 2 cents per pound above the lowest price for that session or more than 2 cents per pound below the highest price.

Commissions for futures trading.—The minimum commission rates for the purchase, and sale, of a contract is \$45.00 for nonmembers and \$22.50 for members. Special straddle and day trade rates are available.

Margins on trades.—Minimums are set by the Cotton Exchange; for current information consult your brokerage firm.

Contract grade and staple for delivery.—The basis of the contract is Middling 1-1/16 inch cotton.

Grades deliverable:

(a) Low Middling through Good Middling in white grades.

(b) Middling Light Spot through Good Middling Light Spot in Light Spotted category.

(c) No spotted cotton tenderable.

Staples deliverable:

- (a) 1-1/32 inch and longer.
- (b) 1-1/32 inch cotton will be discounted 125 percent of the quoted difference between 1-1/32 inch and 1-1/16 inch cotton.
- (c) 1-3/32 inch cotton will qualify for full premium.
- (d) 1-1/8 inch and longer cotton will be deliverable at the same premium as 1-3/32 inch cotton.

Cotton must micronaire not less than 3.5 nor more than 4.9 to be tenderable.

Classification and review:

- (a) Original certificated class by the U.S. Board of Cotton Examiners at the point of storage.
- (b) Review and micronaire determination by the Appeal Board of Review Examiners at Memphis, Tenn.

Weight allowances:

- (a) The deliverer shall make a weight allowance at the average invoice price of one-half pound per bale per month beyond the month of weighing.
- (b) Cotton remaining under certification for a period exceeding 12 months shall carry a penalty of 3 pounds per bale per month.

Premiums and discounts:

- (a) The average grade and staple premiums and discounts for tenderable qualities quoted for Greenville, S.C.; Greenwood, Miss.; Memphis, Tenn.; Dallas, Tex.; and Phoenix, Ariz. will be used in determining settlement prices.

Delivery points.—The delivery points under the New Contract are as follows:

Galveston	Freight bills not acceptable.
Houston	Freight bills not acceptable.
New Orleans	Freight bills not acceptable.
Memphis	Freight bills acceptable on refund value to Group B.
Greenville, S.C.	Freight bills not acceptable.

Price Calculations

All U.S. cotton is exported high-density compressed to save space on the steamer; the exporter thus obtains a lower freight rate. When an exporter has put his high-density compressed cotton shipside, he has to add charges for the following items, depending on the terms of the sale:

C.i.f.	Tare ²	Freight	Insurance (ocean and war risk)	Sale com- missions	Payment (bank charges)	Foreign controlling
C. & i. . . .	do	None	do	do	do	do.
C. & f. . . .	do	Freight	None	do	do	do.
F.o.b., f.a.s . . .	do	None	None	do	do	do.

If the sale is made on certified shipping weights, Form A certificate class, or with special marks or if additional samples are required or there are any foreign consular fees on the shipping documents, charges must be added for these and for other special requirements.

Terms of Delivery

The delivery terms cover the basis on which the cotton is to be delivered to the foreign buyer or importer. The commonly used terms for cotton are f.o.b. (free on board) steamer in the United States, f.a.s. (free alongside steamer) in the United States, c.i.f. (cost, insurance, freight) a foreign port, c. & i. (cost and insurance) a foreign port, c. & f. (cost and freight) a foreign port, ex-warehouse abroad (mostly applicable to consignments stocks abroad), f.o.w. (free on wagon) in a foreign country, and f.o.b. (free on board) in a foreign country.

² Usually about 4 percent for conversion from gross weight to net weight. U.S. upland cotton is sold on gross weight in the United States but on net weight for export. U.S. extra-long staple cotton is sold on net weights both in the United States and in foreign countries.

Weights

In addition to the above terms, the method of settling the weights is added, i.e., "actual tare, mutual net landed weights, no franchise" or "certified shipping weights," etc. In the case of mutual net landed weights, the weight and the excess tare are established at port of destination by the exporter's and importer's representatives. The exporter appoints a cotton controller to represent him at port of destination at weighing, taring, sampling (also for arbitration purposes if needed), and examining for country damage to cotton, if any. With U.S. certified shipping weights, which are established at port of shipment by U.S. sworn weighers and are final; no claims can be made. P. L. 480 programs are all made on U.S. certified shipping weights by sworn weighers.

The usual tare permitted is about 4 percent, depending on the type of bagging—jute, sugar cloth, or cotton; any excess can be claimed. "No franchise" means that no variation in weight is allowed. If a variation in weight is allowed, it is expressed in a percentage figure, i.e., $\frac{1}{2}$ percent, 1 percent, etc. This means that the weight can vary one way or the other up to a certain percentage without weight claims. The franchise, if any, must be considered by the exporters in their price calculations.

The expression "franchise" is also used in connection with the additional weight, which is added to the actual weight (before shipment) in order to create a loss in weight at destination because some countries have difficulty in remitting to the United States for gains in weight because of a shortage of foreign exchange. (Today this is less applicable because P. L. 480 countries must buy on "certified shipping weight," and no adjustments are necessary.

American cotton is traded on a gross weight basis (tare is included) in the United States, while abroad it is sold on a net weight basis. This makes it necessary to establish the actual tare (bagging and ties) and deduct it from the gross weight.

In cotton sale-price calculations the question of gains and losses in weight must be considered. Generally, these considerations are based on climatic conditions existing in the country of destination at time of arrival and in the United States at time of shipment. Failure to include an allowance for probable losses in weight in the sale-price calculation can be costly to the exporter. On the other hand, gains in weight at destination are also considered.

Arbitration³

Arbitrations involve mainly quality differences but also misunderstandings of contract terms or noncompliance with them. The largest volume of arbitration is carried on in Liverpool, Le Havre, Bremen, Bombay, and Osaka. Other locations include Barcelona, Gdynia, Ghent, Milan, and Rotterdam.

Countries as far from Liverpool as Korea, India, Taiwan, Indonesia, South Vietnam, Malaysia, Thailand, and the Philippines use Liverpool arbitration. Osaka arbitration is being used more and more by Korea, Taiwan, and other Asian countries. Switzerland and Austria use Bremen, Liverpool, Le Havre, Ghent, or Milan. In many instances an "amicable settlement" is used. This means that both parties, buyers and sellers, appoint arbitrators from among cotton exporters in the foreign country. An amicable settlement is also made where buyer and seller agree to an allowance.

All arbitration boards except the one in Gdynia have appeal boards. For Gdynia arbitrations on upland cotton, appeals are held in Le Havre. Gdynia arbitrators have appeal on Sudanese cotton and cotton waste.

The arbitrations are held either by nonsalaried arbitrators or full-time salaried arbitrators, depending on the system of the market. The same system applies to appeal boards.

Arbitrations and appeals are "blind" or "sealed," which means that the arbitrators and appeal board members know only the description of the quality, the growth, the last landing day of the steamer, and the terms—c.i.f., c. & f., f.a.s., etc. The price of the cotton is not divulged, and arbitrators do not know the names of the parties involved, except in Liverpool and Milan where the arbitrators have been appointed by buyer and seller in these two markets. However, if so desired, the Liverpool Cotton Association will appoint the arbitrators, and the arbitrations can be blind in that city also.

The names of the foreign arbitration boards for American cotton are as follows:

Liverpool Cotton Association, Ltd., Liverpool, England.

Association Française du Commerce des Cotons, Le Havre, France.

Bremer Baumwollboerse, Bremen, West Germany.

³ For details on how arbitration boards work, see the section entitled "Working of Foreign Cotton Arbitration Boards."

Centro Algodonero Nacional, Barcelona, Spain.
Associazione Cotoniera Italiana, Milan, Italy.
De Vereeniging voor den Katoenhandel, Rotterdam, Netherlands.
Marche de Coton de Gand, Ghent, Belgium.
Gdynia Cotton Association, Gdynia, Poland.
The East India Cotton Association, Ltd., Bombay, India.
Japan Cotton Arbitration Institute, Osaka, Japan.

As an illustration of the above, the terms of a contract may read: c.i.f. Bombay, actual tare, mutual net landed weights, no franchise; Liverpool arbitration.

Destination and Shipment or Delivery Period

The destination is usually a seaport in the foreign country. However, in the Netherlands, where Rotterdam is the usual port of destination, sales are also made c.i.f. Enschede, which is a mill center and a port in the interior of the country.

Sales are made for a specific period from a port in the United States or for a specific delivery or arrival period in the country of destination.

The shipment period can be immediate (shipment within a week), prompt (shipment within 14 days), by a specified steamer, or during a certain month or months. In sales for shipment period, the cotton must be delivered to a steamship company during the period stated, but the steamer need not necessarily sail during that period. If a specific sailing is required, it is so stated in the contract.

Exporters obtain either an on-board bill of lading or a port or custody bill of lading. Custody bills of lading may require a certain on-board endorsement.

In sales for a delivery period in a foreign country, the cotton must be delivered on a certain date or during a certain period in a foreign country. Delivery sales, which require correct calculation of the time that it takes a steamer to reach its destination, are not as common as shipment sales. "Arrival" means the period during which the steamer must arrive at its destination.

Freight

The exporter must keep well posted on the freight situation for shipments to the various countries to which he sells. In all large cotton markets, the various steamship companies have offices or there are freight brokers who supply the exporters with up-to-date information on freight rates and on available steamers for the various destinations.

If an exporter anticipates making a sale for a certain shipping or delivery period, he obtains an option for ocean freight. When he makes the sale, he books the freight firm. It is then necessary for him to deliver the cotton to the steamship company at the port of departure during the period for which the freight is booked. If he fails to ship, he could be penalized; however, steamship companies, for the sake of keeping good relations with the trade, usually do not penalize an exporter except perhaps during a tight freight situation.

Most cotton exporters sign an agreement with the conference lines in the various areas of the United States, i.e., the Gulf, east coast, and west coast conferences. The Gulf and east coast conferences usually sign a joint agreement with the exporters. These agreements usually are good for the cotton season and guarantee a certain freight rate for the 12-month period. On the other hand, the exporters obligate themselves not to ship on nonconference steamers for the duration of the agreement unless conference steamers are not available at shipping time. Some exporters, however, for various reasons, do not sign the agreements with the conferences.

Insurance

On c.i.f. or c. & i. sales, the seller covers the marine war risks while the cotton is in transit to destination. The seller issues an insurance certificate for this coverage, which is one of the shipping documents of a c.i.f. or c.&i. sale. On c. & f. sales, the buyer covers both the marine risk and war risk. On f.o.b. or f.a.s. steamer sales, the seller's risk ends when he delivers the cotton to a steamship company.

On c.i.f. or c. & i. sales, buyers usually request the exporters to insure the cotton for about 110 percent of its value to take care of price fluctuations in case the cotton has to be replaced by the buyer.

Cotton exporters usually make a contract with an insurance company to cover their stocks and shipments of cotton. Once a week, they usually report to the insurance company the receipts of cotton at the various locations and the shipments to the various destinations. On c.i.f. and c.&i. sales, they issue insurance certificates themselves on forms furnished to them by the insurance company. A few exporters have their own insurance companies, which also do a general insurance business.

Payment

The most common mode of payment is a letter of credit, preferably a confirmed irrevocable one, opened by the buyers; against this, the seller draws a sight draft with original documents attached. The documents usually include invoice, bill of lading, insurance certificate, weight sheets, original Form A certificate for quality (if this is used), and micronaire and Pressley certificate. P. L. 480 regulations, if the cotton is financed under such programs, require some additional papers attached to the draft.

The buyer may also pay for the cotton by cable transfer on receipt of a cable from the seller telling him the invoice amount. The documents are then sent by the seller to the buyer by registered airmail or through a bank.

Other forms of payment are cash upon arrival of steamer at port of destination; letter of credit with drafts to be drawn at 30 days, 60 days, etc., sight on a Prime U.S. bank; cash on delivery ex-warehouse (mostly from consignment stocks abroad); and cash upon presentation of documents at destination. "Cash" usually means cable transfer. Time drafts are more or less discontinued by the exporter, and he receives the money at once.

Commission

The rate of commission paid by the seller to his agent averages approximately 1 percent for upland cotton or is expressed in U.S. cents per bale. This rate is not stated in the sale contract but is included in the agency agreement between shipper and agent because the contract is usually between the exporter and the importer or mill. Extra-long staple cotton bears a commission higher than 1 percent because sales of such cotton are not as numerous and large as those of upland cotton.

Agents usually, though not always, have offices at a port, where mills are seldom located; therefore, they often employ subagents in the various interior mill districts. The agent pays a part of his commission to the subagent, or the exporter figures it separately. Of course, if an agent can deal by telephone directly with a mill in the interior or visit the mill himself, he need not have a subagent to contact the mill.

Claims

Claims generally involve weight losses or gains and quality allowances. These, unlike fire, theft, loss, and certain damage to the bales while in transit, cannot be covered by insurance. Penalties for late shipments and other forms of noncompliance with contract terms can also be included in the category of claims. All claims are paid separately by exporters to the importers, except for gains in weight which naturally must be paid by importers to exporters. Differences in weight are unavoidable because of different climatic conditions in various parts of the world. Quality claims arise mostly from differences in opinion though at times they are attributable to the careless selection of the proper cotton for shipment against a specific quality.

The exporter specifies in the sales contract or the invoice the controller he wishes to represent him at port of destination. The controller's responsibility is to be present at weighing, taring, and sampling of the cotton upon arrival. The charges for these services are paid by the exporter, who includes these controlling fees in his sales price.

Foreign Exchange

Most nonconcessional sales of U.S. cotton and all concessional sales (P. L. 480) are made in U.S. cents per pound, but at times sales are made in a foreign currency like English pence, French francs, Swiss francs, etc. This involves a risk when the foreign exchange rates fluctuate. In order to insure himself against this risk, the shipper sells

the foreign exchange for delivery during the period when the draft is negotiated. This is done at the time the sale is made and represents a hedge against fluctuations in the exchange rate.

Since World War II, the number of cotton sales for hard foreign currency have been small.

In sales for local currency under Title I of P. L. 480, the U.S. government receives local currency but the U.S. exporter receives U.S. dollars from the C.C.C.

Other Terms

Various clauses covering features of the sale are inserted in the sale contract. Following are some examples of these clauses:

“Lighterage if any, at port of discharge for account of buyer.”

“Sellers are not responsible for delays or losses caused by government regulations, strikes, lockouts, fires, riots, civil commotions, shortage of labor, or other causes beyond their control.”

“In case of impossibility of fulfilling the sale contract on account of any reason of force majeure, this contract shall be regulated by mutual settlement of the resulting difference.”

“This contract is subject to the Special (i.e., Fair Practice) rules of the American Cotton Shippers Association.”

“This contract based on ocean freight \$. . . per 100 pounds; any change is for buyer’s account.”

A clause to cover carrying charges in case of delayed shipments is often included. All contract clauses vary among exporters and depend on the country of destination.

The specimen sale confirmation that follows is based on the terms discussed above. The form of these confirmations varies with different shippers, but the specimen is representative of what a sale confirmation usually contains.

SPECIMEN
SALES CONFIRMATION
D.E. & CO.

Sale No. _____

Date _____

Messrs. A. B. & Co.
Bremen, Germany

Dear Sirs:

We confirm having sold to you today the following raw cotton:

Through:	F. G. & Co. (Agents)
No. of Bales:	1,000 bales
Quality:	U.S. Middling one-inch staple, Orleans/Texas, Micronaire minimum 3.8
Price:	35.50¢ per lb.
Terms:	CIF Bremen, actual tare, mutual landed net weights, no franchise, Bremen arbitration
Destination:	Bremen
Shipment:	250 b/c monthly April 1958 through July 1958
Insurance to be covered by:	Sellers
Reimbursement:	Sight draft against confirmed irrevocable letter of credit on Prime United States bank
Controllers:	X. Y. & Co., Bremen
Remarks:	This contract is subject to the rules of the Bremen Cotton Exchange

Sellers are not responsible for delays or losses caused by government regulations, strikes, lockouts, fires, riots, civil commotions, shortage of labor or other causes beyond their control.

This contract is based on ocean freight of \$ _____ per 100 pounds; any change is for buyer's account.

Accepted: _____

D. E. & Co.

By _____

WORKING OF FOREIGN COTTON ARBITRATION BOARDS

The author surveyed the methods used by some cotton arbitration boards in connection with P. L. 480 cotton shipments in Liverpool in September 1961, in Le Havre, Bremen, Liverpool again, and Milan in September 1962, in Bombay in October 1962, and in Gdynia in September 1963. Other European cotton arbitration boards—in Barcelona, Rotterdam, and Ghent—were not visited.

Appeal boards are in Liverpool, Bremen, Le Havre, Milan, Osaka, Bombay, Barcelona, Rotterdam, and Ghent. There are none in Gdynia, whose appeals are held in Le Havre. The one exception is appeals for Sudanese cotton and cotton waste, which are handled by Gdynia arbitrators since the Le Havre board does not arbitrate or appeal extra-long staple cotton.

Since 1961, 1962, and 1963, the surveys have been updated as much as possible, but it is advisable to check fees, practices, etc., with the boards concerned because changes may have occurred.

Summary

Arbitrators are not salaried in Liverpool, Le Havre, Milan, and Gdynia. Bremen, Osaka, and Bombay have full-time salaried arbitrators. Appeal board members are not salaried in Liverpool,⁴ Bremen,⁴ Milan,⁴ and Gdynia (Sudanese cotton only). Full-time salaried appeal board members are employed in Le Havre and Bombay.

In all markets, the arbitrators or the appeal board members have the Universal Standards for grade and the U.S. Official Standards for staple and/or the private types before them or within reach.

The arbitrations and appeals are sealed, which means that the arbitrators and appeal board members know only the description of the quality, the growth, the last landing day of the steamer, and the terms, i.e., c.i.f., c. & f., f.a.s., etc. They do not know the price of the cotton nor the names of the parties involved, except in Liverpool and Milan where the arbitrators are appointed by the buyer and seller.

All the arbitration boards visited appeared anxious to do the best job possible. No criticism whatsoever was heard about any of the boards.

Today, the arbitration boards used most for P. L. 480 cotton shipments are Osaka, Liverpool, and Bombay, in that order.

Liverpool Cotton Arbitration

Arbitrations.—Arbitrators of the Liverpool Cotton Association (LCA) are not salaried but are experienced, active members of the LCA who are qualified to act as arbitrators. Many members decline to serve as arbitrators. In each arbitration there are two arbitrators, one representing the importer and the other the exporter; each is appointed by the party he will represent. Generally, importers and exporters always use the same parties as their arbitrators; these are people in whom they have confidence, based on years of experience.

All arbitrations must be carried out by two disinterested members. No party with an interest in the cotton, like an agent of the exporter, may act as an arbitrator. No person who is not a member of LCA may carry out an arbitration. Arbitrators may appoint a third member to act as an umpire should they fail to reach an agreement. The arbitrators work only when they are needed, i.e., irregularly. There are no full-time arbitrators.

If both parties (importer and exporter) agree to have their difference resolved by sealed arbitration, either of them may make an application to LCA's secretary requesting arbitration under the relevant rule (No. 305). When this is confirmed by the other party, the president of LCA appoints two disinterested members to carry out the arbitration; if they do not agree, on the terms of the award, he may also appoint an umpire.

When the arbitrators have been appointed, they contact each other to set a time, suitable to the LCA, for the arbitration.

Arbitrations are carried out in the arbitration room of the association, which has facilities for both natural and artificial light. Before arbitrations can be carried out under artificial light, the agreement of both parties is necessary. Arbitrators make arrangements through the arbitration room manager. Four pairs of arbitrators may work at any

⁴ On appeals, a representative of ACSA is a member of the team and receives a minimum guarantee from ACSA.

one time in the room. If necessary and if appeals are not being held, the appeal room may be used; this provides space for two additional pairs of arbitrators.

Each of the two arbitrators is furnished only the terms of the contract; the quality (grade, staple, color, or private type); growth (like Texas, Orleans/Texas, Mississippi Delta, etc., if so stated in contract); micronaire and Pressley requirements, whenever so stated; and the last landing date of the steamer on which the cotton was shipped. The price of the cotton purchased or sold is never furnished to arbitrators.

The only time a price could be known to any of the arbitrators would be when the importer failed to give the terms of the contract needed for the arbitration requested (c.i.f., etc.) and the inexperienced importer, through an oversight, sent a copy of the contract. This has happened in isolated cases in Hong Kong, but the price is never considered by the arbitrators.

In an arbitration on 100 bales, the samples are put on the table in five lots of 20 bales each, in this way:

⁵ (20) (20) (20) (20) ⁶ (20)

Arbitrators move toward each other and cross over until each has classed all 100 bales.

For description sales, each arbitrator arbitrates against the Universal Standards for grade and the Official Standards for staples. Each one makes personal notes regarding the grade and staple of the cotton. Each recapitulates his findings and compares the total results (in terms of points off) with the other, and both agree on an award based on the differences to be used in the particular arbitration. If they cannot agree, they call an umpire, who is another member qualified to act as an arbitrator. For cotton less than 1-1/8 inch in staple length, they choose a man who handles mostly such cotton; for 1-1/8 inch and longer, they pick an umpire with experience in these lengths.

On private type business, the arbitrators normally attempt to agree on the value of the type in terms of Universal Standards.⁷ Otherwise, they proceed as in description business.

The arbitrators are paid by the parties to the arbitration (namely, the importer and the exporter). Each arbitrator is paid £6 net or £6 10s. gross per 100 bales and a minimum of £3 net or £3 10s. gross per 50 bales or less. In the case of sealed arbitrations, where the arbitrators are appointed by the LCA president, the fees are claimed from the importer and the exporter by the respective arbitrators. The same scale of fees prevails as when the arbitrators are appointed by the importer and the exporter.

Appeals.—The appeal committee is made up of 12 LCA members, selected annually by the membership, and a representative of ACSA. Only the ACSA representative is salaried; otherwise, there are no salaried classers. A chairman and vice chairman are elected by the committee each year.

A quorum consists of three, including the ACSA representative. The members holding an appeal must, of course, be disinterested in the cotton. Appeals are held every day. There is no super-appeal. However, the ACSA representative may ask for a review of the appeal if he is not satisfied with the results. In a review, different people on the panel are shown the samples the same day. (The ACSA representative is also present on appeals of Mexican cotton handled by U.S. exporters.)

In contrast to the arbitration system, the fees on appeals are collected by the LCA.

Appeals in 1961-62 showed 4 percent absolute confirmations of arbitration awards, while many other decisions were extremely close. This means that arbitration awards are considered to be fair and correct.

The author concluded that the LCA is trying to do a fair job for all, not wanting its reputation as a world cotton authority of about 100 years' standing to be damaged. The proof is that many countries outside the United Kingdom choose Liverpool arbitration.

Liverpool has lost the bulk of arbitrations on U.S. cotton shipments to India since the East India Cotton Association in Bombay is now arbitrating U.S. cotton.

⁵ One arbitrator starts here.

⁶ The other arbitrator starts here.

⁷ Value does not mean a price.

Le Havre Cotton Arbitration

Arbitrations.—The following is quoted from rules governing Le Havre arbitrations, amended, as adopted by a general meeting held on January 15, 1965, of the Association Française du Commerce des Cotons (A.F.C.O.T.):⁸

Rule 1.—(A) Disputes shall be submitted in the first instance to an arbitration committee. The decision of said committee may be referred to an appeal committee, the decision of the latter to be final.

Each arbitration committee and each appeal committee shall be composed of two arbitrators.

Arbitrators shall be appointed and summoned by the secretary of the Chambre Arbitrale de Cotons, who will distribute among them the lots to be examined. It is expressly specified that the arbitrators thus appoint or the firms with which they may have connections or the interests of which they represent shall not be parties to the dispute in question.

(B) Cotton shall be examined by the arbitrators in premises designated and supervised by the Chambre Arbitrale de Cotons.

Rule 2.—(A) Arbitrations will be performed: (1) by brokers-arbitrators (courtiers-arbitres) nominated by the Board of Directors of Association Française du Commerce des Cotons, who select them from a list drawn up by the Board of Directors of the Le Havre Sworn Cotton Brokers Association; and/or (2) by salaried arbitrators having no other activity, nominated by the Board of Directors of A.F.C.O.T. upon request of the Chambre Arbitrale de Cotons and paid by the latter.

Furthermore, in case of need, the secretary of the Chambre Arbitrale de Cotons may designate one or more substitute arbitrators selected from the list drawn up by the Board of Directors of the A.F.C.O.T.

(B) Appeals shall be performed by appeal arbitrators, regular or substitute, nominated by the Board of Directors of the A.F.C.O.T. The appointment as regards appeals arbitrators for U.S. and Mexican cotton shall be made in agreement with the U.S. Department of Agriculture, Consumer and Marketing Service, Cotton Division.

(C) Brokers-arbitrators, substitute arbitrators, as well as substitute appeal-arbitrators, shall be appointed for a period of 1 year beginning August 1 and ending July 31. Their appointments may be renewed. The regular appeal arbitrators are salaried experts having private contracts.

In the event of a vacancy among the arbitrators during the course of the year, appointments for replacements shall be made according to the provisions of paragraphs A and B of the present rule.

(D) All arbitrators, including substitutes, shall be strictly prohibited (under penalty of being eliminated from the list of approved arbitrators) from performing “quality arbitrations” other than those governed by the present rules.

Arbitrators shall be bound to professional secrecy.

(E) The Board of Directors of the A.F.C.O.T. shall decide on the provisional or final elimination of any arbitrator found guilty of having attempted to know the names of the buyer or seller.

(F) Non-salaried arbitrators shall be paid by means of fees calculated and paid by the Chambre Arbitrale de Cotons.

Arbitration and Appeal Fees (June 1965)

Rule 5.—Arbitration and appeal such as they are organized in the Le Havre market function for the convenience not only of the members of the A.F.C.O.T. and of the Syndicat Général de l'Industrie Cotonnière Française, but also of all French or foreign firms which might have to call on these facilities. The responsibility of the functioning of both arbitration and appeal has always been in the hands of the A.F.C.O.T.

⁸ In a special and extraordinary meeting held on November 21, 1962, the Association du Marché des Cotons au Havre (A.M.C.H.) decided to change its name to Association Française du Commerce des Cotons (A.F.C.O.T.). A.F.C.O.T. members are importers, agents brokers, sellers, controllers, spinners' representatives, bankers, etc.

Taking into consideration the fact that the fees, as they stand now, were initially to be applied only to members of either the Association or the Syndicate, and also considering what is being done in other markets such as Ghent, Rotterdam, and Bremen, the Managing Committee of our Association, in agreement with the Syndicate, has decided that in the future the fees for arbitration, appeal, or estimation, such as they stand now, would be applied only to the members of the Association and Syndicate and that any time a nonmember of one of these two groups would be involved, this party would pay double rate.

Of course, the rate which shall apply to members of the Association and of the Syndicat (hereunder referred to as "single rate") remains unchanged from its present level.

This measure shall apply:

- (1) To all arbitrations and/or appeals referring to contracts concluded on or after August 1, 1965.
- (2) To all arbitrations and/or appeals referring to any cotton arrived in France on or after August 1, 1965, applying to contracts concluded after May 31, 1965.
- (3) To all estimations asked for on or after August 1, 1965.
- (4) Appeals referring to first degree arbitrations asked for prior to July 25, 1965, shall pay the old fees.
- (5) Arbitrations and appeals referring to contracts concluded prior to June 1, 1965, shall pay the old fees, whatever may be the date of arrival of the cotton.

Schedule of Fees Single Rate

		Arbitrations and Appeals	
		Per bale	Minimum
		<i>New French francs</i>	<i>New French francs</i>
1. Lots entirely sampled:			
a) Grade and staple		1.20	60.00
b) Grade only		0.80	40.00
c) Staple only		1.00	50.00
2. Lots partially sampled:			
d) Grade and staple	¹	0.90	45.00
e) Grade only	¹	0.60	30.00
f) Staple	¹	0.75	37.50
3. Indication of the numbers of the penalized bales	²	0.15	
4. Indication of the penalization of each penalized bale	³	0.30	
5. Indication of the grade and staple of each bale	⁴	0.40	
6. Rejection clause		1.50	⁵ 25.00
7. Estimation of types or samples: grade, staple, preparation, character	⁶	25.00	

¹ On all the bales of the lot. ² In addition to tariffs 1 or 2.—The penalization of each bale is not given. ³ In addition to tariffs 1 or 2. ⁴ For each bale examined. ⁵ Per lot. ⁶ Per type or sample.

Rule 6.—Arbitration fees shall be borne half by the seller and half by the buyer, regardless of the result of the arbitration.

Appeal fees shall be borne by the applicant.

Arbitrations are sealed. Samples are submitted to the arbitrators by lots, under a special number affixed by the secretary of *Chambre Arbitrale de Cotons*, excluding any mark or the steamer's name. Neither the name of the buyer nor that of the seller is mentioned. For each arbitration, two arbitrators are selected by the secretary of the *Chambre Arbitrale de Cotons*; these are persons who represent neither seller nor buyer.

For each 100 bales, there are usually two bundles containing 50 samples each. If there are only 75 bales, there is a bundle for 50 samples and another of 25. For 60 bales, there may be only one bundle of 60 samples.

Arbitrators start first with grade. The two arbitrators start together and they agree, for instance, for a 50-bale lot that:

30 bales	are up to description
10 bales	are 1/2 grade below
5 bales	are full grade below
3 bales	are light spotted
2 bales	are spotted

The same procedure applies for staple arbitration.

Against description sales, they have the Universal Grade Standard Boxes and the official staple types in front of them. For grade they judge against the average of the box. Against type sales the arbitrators judge against the type. In order to know the nearest value of the quality represented by the type, they class samples against the nearest quality indicated or registered in the *Le Havre* table of differences, for the purpose of arriving at their decision.

If arbitrators disagree on some bales, they ask another pair working on another lot to give their views on the bales. If an umpire is called, he must always decide for the opinion of one of the two arbitrators.

The "falling off" bales are given a description for the purpose of establishing the allowance (difference).

More often if needed, but at least once a month, the Committee of Differences (*Commission des Ecarts*) meets to establish quality differences. This committee is composed of 12 to 15 regular members: (1) three brokers nominated by the *Havre Sworn Cotton Brokers Association*; (2) three spinners nominated by the *French Spinners' Association*; (3) three merchants nominated by the Board of A.F.C.O.T.; (4) three agents for the importation of U.S. cotton, recognized by the *American Cotton Shippers Association*; (5) three agents of exporters in producing countries other than the United States.

Appeal arbitrators may attend the meetings in an advisory capacity. Proceedings of the meeting shall be recorded. Members of the committee are nominated for 3 years. They may be renominated.

Arbitrators have no knowledge of the sale price of the cotton. However, in case of very low grades not quoted in the sheet of differences, or "abnormal cotton", they may request the management of the *Chambre Arbitrale de Cotons* to solicit from the parties the sale price.

The arbitrators appear to carry out their work in a satisfactory manner. Incidentally, in 1962 Mr. Chausserie-Lapree, then president of the Association, pointed out that arbitrators have been consulted by several producing countries (especially African ones) for the preparation of official or nonofficial standards on types of cotton produced in their territories.

Appeals.—The appeals on American cottons are held by an appeal board with two members, as follows: One full-time member, formerly a cotton agent and broker-arbitrator, now a salaried employee of A.F.C.O.T.; and one American representative of ACSA, who also works on appeal for Mexican, Central American, and Colombian cottons, even if these cottons were not shipped by U.S. exporters. The ACSA representative also handles appeals in Milan and Barcelona; however, Barcelona currently does not receive U.S. cotton. These two form the appeal board, which must be approved by the U.S. Department of Agriculture. Three substitute members are also approved.

Le Havre appeal is also used for Gdynia arbitration and for American cotton imported by Morocco under P. L. 480.

The applicant pays for appeal fees, which are the same as arbitration fees.

The A.F.C.O.T. in its rules and regulations under Article 14, "Double Arbitration Allowances," provides the following:

A. For cotton from (1) the United States; (2) Mexico, Central America, and Greece; and (3) other countries, when sold in terms of U.S.A. description, provided samples of all bales contained in a lot have been submitted to official arbitration; the arbitration award will be doubled in the following cases:

1. Cotton sold with staple 1-1/16 inch or longer. If the arbitration result shows that more than 15 percent of a lot is lower than the quality contracted for by more than a full grade or

its equivalent value or by more than 1/16 staple, the allowance shall be doubled on all failing bales.

2. Cotton sold with staple below 1-1/16 inch. If the arbitration result shows that more than 10 percent of a lot is lower than the quality contracted for by more than a full grade or its equivalent value or by more than 1/16 staple, the allowance shall be doubled on failing bales.

3. Cotton sold with staple below 1-1/16 inch. If the arbitration result shows that more than 50 percent of a lot is lower than the quality contracted for by more than 1/32 staple, the allowance shall be doubled on all failing bales.

4. In contracts for colored cotton, the full grade referred to in § 1 and 2 above is to be applied to the differences in color between:

a. light tinged and light spotted.

b. light stained and light tinged.

In the two examples quoted, the double allowance does not apply to spotted bales under (a) and tinged bales under (b).

5. For cotton sold on type or sample or with a staple description other than that mentioned in § 1, 2, 3, and 4 (e.g. in millimeters), the bales liable to double allowance are ascertained by comparing the arbitrators' award with the differences as quoted on the list of the committee of differences.

6. The percentages mentioned in § 1, 2, and 3 are calculated on the total of the bales liable for double allowances, irrespective of the reason for such allowances.

B. For any other cotton, any arbitration award exceeding 5 percent of the contract price shall be doubled.

Art. 15. Lots that may be rejected.—If the total amount awarded by arbitration exceeds 10 percent of the value of the lot (calculated at the contract price on the weight accepted for quality settlement), the buyer has the right: (1) either to accept the lot with double allowance as mentioned in Art. 14, or (2) to reject the lot wholly or partly.

Any lot or part of a lot which, on arrival, is not considered to be in good, sound, and merchantable condition may also be rejected, e.g., linters or waste delivered as raw cotton; cotton damp throughout rather than somewhat wet, etc.

Lots are rejected and invoiced back according to Art. 30 (Shipment) and Art. 35 (Delivery). Moreover, a buyer who has rejected a lot may claim damages for any prejudice caused which, however, he must justify; the amount of the damages will be assessed amicably or by arbitration.

Bremen Cotton Arbitration

Arbitrations.—The claimant requesting an arbitration from the Bremer Baumwollbörse (BBB) furnishes only the mark and number of bales, quality description, steamer's name, last landing day, and the name of the counterparty.

The samples are prepared (dressed) by BBB for the arbitration as in other markets, i.e., the samples are dressed down to uniform size.

BBB has four classers, sworn by the Bremen Senate, who are full-time salaried employees of the BBB. These classers have had many years of experience in trade. Two classers work together. A 100-bale lot is usually put in five 20-bale papers (as in Liverpool).

The two BBB classers look at the same bales together against the Universal Standard grade boxes and Official Standards for staple. The grade is classed first and the "falling off" bales are put aside. Then the staple is classed in the same manner. No "grade" or "staple" is mentioned at first, but the "falling off" bales are given a grade and staple in order to establish the "value difference."

Type sales are compared against the type, but the type is not classed at first. Only after the arbitration is the type classed in order to establish a value difference for the "falling off" bales. In other words, the shipments are classed against the type, which is on the table throughout the arbitration.

Classing is against the proportionate average of the type. After the arbitration, the type is compared with the standards solely for the purpose of establishing differences. Classing is carried through under artificial light

exclusively. The lighting system is in agreement with the draft of the corresponding International Standards Organization (ISO) recommendations.

Appeals.—The BBB selects a panel of 40 qualified appeal board members from among experienced cotton merchants, including a representative of ACSA, who also works in Rotterdam and Ghent when he is called. The members of the appeal board must be approved by the U.S. Department of Agriculture.

A team of three (including ACSA representative) examines the cotton and reviews the arbitration findings.

The fees paid appeal board members are not very high. The ACSA representative receives a guarantee from ACSA, which in turn, gets a share of the fees from the Bremer Baumwollbörse.

No party interested in any lot of cotton is allowed to participate in any arbitration or appeal. This is thoroughly checked by the efficient staff of the BBB.

The price is never known; therefore, it is not considered.

Arbitration and Appeal Fees

I. Quality Arbitrations (effective Oct. 1, 1965)

(Fees for members and associate members. Fees for nonmembers are double the fees listed below.)

	Arbitration	Appeals
	<i>DM per bale</i>	<i>DM per bale</i>
1. Appraisals and classifications:		
(a) Without bale number	0.85	1.00
(b) With bale number	1.40	1.65
(c) Appraisal with “replacement clause” (numbers without value)	1.10	1.30
(d) Minimum fees	15.00	100.00
2. Classing of a type or comparing two types, etc.	10.00	
II. Laboratory (effective Sept. 2, 1965)		
A. Micronaire - Arbitrations		
(1) The fees for arbitrations are:		
(a) up to 50 samples each	0.70 (minimum DM 4.)	
(b) 51 to 100 samples each	0.60 (minimum DM 35)	
(c) over 100 samples each	0.50 (minimum DM 60)	
(2) The appeals, the fees are increased 20 percent over the arbitration fees.		

Regulations of the charges for other services can be found in the rules of the Bremen Cotton Exchange.

Double fees are charged to nonmembers if they have to bear the cost.

The rules and regulations of the Bremen Cotton Exchange require the following additional penalties for cotton arbitrated:

§ 39 - *Additional penalties* (translation).

The seller, without affecting the possibility of cancellation by the buyer in the case of contracts for delivery (§21 - 23 - 32), has to pay an additional penalty for the “off” bales according to the following provisions, based on the average invoice value:

- a. Bales “off” more than 10 percent of the purchase price—penalty: 3 percent.
- b. For “description (class) guaranteed” sales—for U.S., Mexican and Central American cotton, also against “type sales,” each bale, 1-1/2 grade or more “off”—penalty: 3 percent.
- c. For sales of Middling and below, with “standard color” guaranty, each bale “spotted,” “grey,” or more colored bale—penalty: 3 percent.
- d. For sales of higher than Middling with “standard color” guaranty, each bale “spotted,” “light grey,” or more colored bale—penalty: 3 percent.
- e. For sales of colored cotton, including “spotted” or “grey,” each bale “tinged,” “stained,” or more colored bale—penalty: 3 percent.

f. Each bale “off” 1/16 inch in staple—penalty: 2 percent; each bale “off” more than 1/16 inch in staple—penalty: 3 percent.

The above penalties do not apply to contracts for shipment.

Milan Cotton Arbitration

Arbitrations.—Application for arbitration (always by buyers) must be filed with the Arbitration Chamber 30 days after the last landing day of the cotton. Applicants furnish the number of bales, mark, quality, steamer’s name, and the last landing day.

According to Rule 24 of the Associazione Cotoniera Italiana, arbitrators are to be chosen from an official panel and kept up to date by the Board of the Arbitration Chamber.

The agents propose the names of their partners or employees to serve on this panel, and to a lesser degree, the spinners do likewise. Exporters and importers choose arbitrators, as is done in Liverpool.

For a 100-bale lot, four baskets of 25 bales each are prepared. The two arbitrators class together, first the grade and then the staple. The rejected bales are set aside.

The arbitration awards are fixed by the two arbitrators appointed by the parties in dispute. Should the arbitrators fail to reach an agreement on the award, they call for a third, chosen from the official roll of arbitrators, whose decision is binding on the parties, except for their right to appeal.

Should the two arbitrators disagree on the choice of the third, the latter is appointed by the chairman of the Arbitration Chamber or, in case of his inability to attend, by one of the vice chairmen.

There are no salaried classers. No arbitrator may have any interest in the cotton. For type sale, type is classed first.

As of January 1, 1966, quality arbitration fees were as follows:

First instance (arbitration): Fees of 12,000 lire per 100 bales to be paid by each party.

Appeal: Fee of 32,000 lire per 100 bales to be paid by the appealing party.

At the current exchange rate, above fees are equal to \$20.00 and \$53.25, respectively, including turnover tax.

Appeals.—Appeals are carried out in the same manner as arbitrations. The appeal board has three members, two Italians (one agent and one spinner) and an ACSA representative. The ACSA representative comes to Milan from Le Havre as he is needed.

The rules and regulations of the Associazione Cotoniera Italiana contain the following:

Rule 45.—In addition to the allowance awarded by the arbitrators, the seller shall pay the buyer a penalty equal to 2 percent of the invoice value of all the bales which the arbitrators found to be lower than the contract quality by more than one grade, when the number of such bales exceeds 5 percent of the lot arbitrated.

Rule 46.—In addition to the arbitration award and to the 2-percent penalty set by Rule 45, the seller shall pay to the buyer a further penalty of 4 percent of the invoice amount for the entire lot arbitrated, whenever the arbitrators ascertain that the average inferiority of the lot is of two grades or more.

Rule 47.—The penalties contemplated in Rules 45 and 46 shall also apply to staple deficiency and to this effect a difference of 1/16 of one inch in the staple length shall be considered equivalent to one grade, and penalties shall be assessed accordingly.

Rule 48.—In the assessing of penalties, the allowances awarded separately for grade and for staple shall not be cumulated.

Rule 49.—When the arbitrators have good reasons to believe that the cotton is of a growth different from that contracted and of an inferior trade value, the arbitration procedure shall be suspended and notice shall be given to the secretary of the Arbitration Chamber of such action. The latter shall accordingly inform the interested parties and request the seller to furnish the particulars needed by the arbitrators in order to enable them to complete their investigation and render their decision.

Bombay Cotton Arbitration

Arbitrations.—There are six salaried full-time sworn surveyors appointed permanently by the chairman of the East India Cotton Association (EICA) Sworn Surveyors, with the concurrence of the Forward Market Commission. (The latter is a body formed by the Central Government of India under the Forward Contracts Regulation Act, 1952, which is similar to the U.S. Department of Agriculture's C.E.A.)

The surveyors have no connection now with the trade or any members of the trade, but they have had long trade experience.

The applicants for arbitration send sealed samples to the Superintendent of the Surveys and Appeals, who takes charge of the samples and “seals” them, that is, removes any identification marks. He arranges the samples in papers of 20 bales each, which are placed before the surveyors with the neutral code number.

For description sales the grade standards and the official staple standards are placed before the surveyors when they examine the cotton. Each arbitration is worked by a team of three; two work together on a lot to be arbitrated, and the third is called in case of any disagreement. The two examine each bale; first the grade, then the staple. They put aside the “off” bales.

The “off” bales are classed against the standards for grade and staple so as to arrive at the arbitration award. The arbitration differences for grade and staple are set by a committee as per Bylaw No. 204 of EICA, Ltd., bylaws as amended up to October 24, 1961. The differences are based on the 14 U.S. (Spot) cotton market differences and the Liverpool and Bremen arbitration differences, and are fixed once every 2 weeks.

Against types sales, outturn samples are compared against the type, which is before the surveyors, and the “off” bales are classed in order to establish the value differences. The EICA compares the shipment against the average of the type. This type is compared with the standards solely for the purpose of establishing differences. The price of cotton purchased or sold is never furnished for arbitration.

Appeals.—Appeals are handled by the other three permanent sworn surveyors who were not used on the arbitration. They follow the same method of examining the cotton as in arbitration. Whenever ACSA selects a representative to the appeal board, he will be added to the three sworn surveyors. Appeals are held in Bombay, Liverpool, or Osaka, if this is agreed at the time the contract was made.

Since no price is ever known to the surveyors, it cannot be considered. In general, it can be said that the EICA arbitration and appeals are based on the Liverpool and Bremen systems.

With regard to the appeal, an excerpt from Bylaw 198 of the EICA bylaws is quoted:

In respect to USA and Mexican cottons, an appeal shall lie from the Arbitrators' or Umpire's Award to an Appeal Committee, constituted of three Surveyors appointed under Bylaw 35 and a representative nominated by the American Cotton Shippers Association, who is ordinarily resident in Bombay. [There is none in Bombay at the present time.] If no such nomination is made or the nominee so appointed is not present, then the appeal shall be disposed of by the panel of three surveyors appointed under Bylaw 35, provided such appeal is lodged with the secretary before 12:30 p.m. on the seventh day following the date of survey award. Notwithstanding anything hereinbefore contained, such an appeal may be lodged with the Appeal Board of the Liverpool Cotton Association, Liverpool, or with the Osaka Cotton Arbitration Board at Osaka, or with Bremer Baumwollboerse, Bremen, or with the Cotton Association at Milan, until 31st July 1963 (which date is subject to extension as may be agreed upon between the East India Cotton Association, Ltd., and the American Cotton Shippers Association), provided parties have agreed to such a term at the time of entering into the contract.

In 1961, according to the EICA bylaws, the fees for arbitrations and appeals on foreign cotton were as follows:

Arbitration fees as to quality: The fee for American cotton shall be Rs50 for each 100 bales or part thereof and for other foreign cottons Rs30 for each 100 bales or part thereof, payable by each party.

Appeal fees as to quality: The fee for American cotton is Rs120 for the first 100 bales or part thereof and Rs60 for the next 50 bales or part thereof and for other foreign cotton, except east African cotton, Rs90 for the first 100 bales or part thereof and Rs45 for the next 50 bales.

As a matter of precaution and to refresh the memory of the surveyor—because the volume of arbitration of American cotton is irregular—the surveyors study and refer to the Universal Standards for grade and the Official Standards for staple.

The arbitration rooms are quite spacious and well maintained. There are facilities for both natural and artificial light; the latter is used if agreed to by the parties to the arbitrations.

Osaka Cotton Arbitration

Arbitrations.—The arbitration system in Osaka is different from any other yet reviewed. In Osaka, there are only two salaried arbitrators working on arbitrations; one is a Japanese citizen and the other a U.S. citizen who represents ACSA.

A board of five cotton classers (Japanese) nominated and selected by the Board of Directors of the Japan Cotton Arbitration Institute (JCAI) and approved by ACSA and USDA for 1 year, is ready to act, when needed, in an arbitration. The arbitration fee is 30 cents per bale, payable at the time of application by the party requesting arbitration.

The arbitration fees are ultimately borne by the buyer and seller in the same proportion, regardless of which wins or loses in the arbitration award.

Arbitrations are “sealed.” The Board’s tag serial numbers are put in the samples, and arbitrators know only description or type and growth of cotton involved. However, 2 days later, when arbitrators sign arbitration award certificates, they learn the identity of the parties involved.

Samples are aired 24 hours and put in 25-bale trays. Both arbitrators class the cotton together for both grade and staple. Color, leaf, and preparation are the grade factors considered.

If arbitrators disagree, they call one of five umpires, who classes the bales in dispute the next day. The three then sign the award certificates.

Micronaire and Pressley are not arbitrated, but a laboratory is available in JCAI for giving these measurements to any parties requesting them.

On description sales, the arbitrators have the grade standard boxes and the U.S. official staple types before them. On type sale, they likewise have the type before them.

The arbitrators record the “off” bales as “so much off” (i.e., 1/4, 1/2, 3/4 grade off) the description sold, not in terms of cent points.

For “colored” cotton (light spotted, spotted, stained, tinged) sales, they record the grade description, say five bales Middling spotted, five bales Strict Middling light spotted, etc., for establishing the value.

Two arbitrators interviewed in February 1963 said that most types are for grade factors (color, leaf, and preparation) only, while staple is specified separately.

In all type arbitrations direct comparisons are made between shipping samples and the type. In other words, the arbitrators class “type” sales against the type itself and not the value (the value is for establishing the differences only).

The two arbitrators are really working like regular classers in a large cotton firm. They are kept busy because cotton from Taipei, Seoul, and Manila is also arbitrated in Osaka. The volume of arbitrations in Osaka has increased, no doubt, because the volume of “guaranteed through” business has increased in Korea and Taiwan.

In all cases, the differences on the day before the last landing date are used.

Appeals.—Since July 1963, appeals have been held in Osaka, but the parties must lodge an appeal with the JCAI within 7 business days after the date of mailing or landing the arbitration award.

The unique system, instituted about 2 years ago, seems to be satisfactory to all. (American representatives keep their private notes on all lots they class in case of possible complaints.)

The Japan Cotton Arbitration Institute has in its rules and regulations the following provision:

(m) Penalty Clauses:

Whenever any lot arbitrated is shown to be more than one grade off to an extent exceeding ten per centum (10 percent) of the lot, the seller shall pay to the buyer a penalty equal to the arbitration allowance for grade on that portion of the lot which is more than one grade off.

Should more than ten per centum of any lot be more than 1/16 of an inch off in staple, the seller shall pay to the buyer a penalty equal to the arbitration allowance for staple on that portion of the lot which is more than 1/16 off.

In assessing penalties, allowances for grade and staples, respectively, shall be considered separately.

Gdynia Cotton Arbitration

The Gdynia Cotton Association (GCA) handles only arbitrations, and for upland and extra-long staple cotton does not hold appeals except in the case of Sudanese cotton because Le Havre, which handles appeals on Gdynia arbitrations, does not arbitrate or appeal extra-long staple cotton. (In the case of Egypt, no foreign arbitrations are allowed; the certificates issued by the Alexandria Cotton Authorities are final, similar to U.S. Form A class.)

The arbitrations in Gdynia are handled almost identically to the ones of the Liverpool Cotton Association; hence, the section on Liverpool can be used as a basis except for the following:

1. The importer or buyer in Poland is always Textilimport, Lodz, the only buying organization in Poland. The arbitrations can be called "sealed". The GCA arbitrates also for Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, and Romania.

2. A panel of 20 arbitrators is selected and approved by the Board of Directors of GCA. Most of these arbitrators live in Lodz although five live in Gdynia. The arbitrators are former classers with long experience, men trained specifically for classing, and classers in mills or controlling companies. W. Sztelman, director (general manager) of GCA, had many years of experience running a large cotton mill in Lodz in pre-World War II days.

3. Rule No. 35 (amended June 30, 1962) provides that in case an umpire is called, the umpire's decision as to amount of allowance required or offered shall not exceed the amount proposed by the arbitrators.

4. The arbitration fee for grade and/or color and/or staple irrespective of the cotton is US \$0.12 per bale; the minimum fee per lot is \$12.00, according to the latest information received in September 1966.

COTTON-BUYING PRACTICES IN FOREIGN COUNTRIES

The buying practices outlined below apply in most cases both to the United States and to foreign countries, but it must be kept in mind that some new raw cotton processing countries in Africa and Asia may change their buying practices because they think a new method would be more advantageous.

North America

Mills in *Canada* buy U.S. cotton directly from exporters. Some large Canadian mill groups have their own buying offices in the United States.

Western Europe

The cotton business in *Austria* is split between Vienna and Dornbirn (Vorarlberg), both in the heart of mill centers. Cotton is sold through local agents of cotton exporters or of Bremen, Rotterdam, Le Havre, Hamburg, and Milan merchants. Agents in Switzerland also handle some business, particularly with mills in Vorarlberg since this Province borders Switzerland.

Practically all sales of cotton to mills in *Belgium* are made by agents in Ghent, Antwerp, and Brussels; these agents represent cotton exporters. A few agents deal as merchants who also sell beyond the borders of Belgium. Some business may also be concluded directly between mills and exporters.

In *Denmark* cotton exporters have agents in Copenhagen who sell to mills; there are no cotton merchants. Some business may also be concluded directly between mills and exporters.

In *Finland* cotton is sold to mills through agents of cotton exporters in Helsinki; there are no cotton merchants.

In *France* cotton is sold to mills partly through agents and partly through merchants. Exporters have either agents or direct connections with Le Havre merchants. These agents in turn have subagents in mill centers like Lille, Roubaix, Rouen, Lyons, and Mulhouse. There are also some exporters' agents in Lille. During and after World War II, merchants and agent firms in Le Havre opened offices in Paris because the French Government's buying offices were located there. Now, the cotton trade has practically all turned to Le Havre. The port of Le Havre remains the most important port in France where cotton is stored and the spot market is still active. Dunkirk and Marseilles are the other cotton ports.

The U.S. cotton business in *West Germany* is concentrated in Bremen, where most U.S. cotton exporters have their connections. Although there still are some agents of exporters in this city, all Bremen cotton firms are considered merchants. Before World War II, the large Bremen cotton merchants sent their own representatives to buy cotton in the United States. A few Hamburg merchants also handle U.S. cotton although most of them concentrate on other growths. The Bremen and Hamburg merchants have subagents in the mill districts, such as Nordhorn, Rheine, Rheydt, Stuttgart, Augsburg, Munchen-Gladbach, etc. In the Bremen market there are also brokers who supply offers from merchants to merchants.

In *Greece* U.S. cotton is sold to mills or cotton merchants through agents of exporters. The business in U.S. cotton is small and limited to specialty cotton because Greece has become a substantial cotton producer.

In *Ireland* most of the cotton is bought by mills directly from or through Liverpool firms.

In *Italy* exporters are represented by agents in Milan, the main cotton center of Italy. There are no cotton merchants in Italy. The agents, in turn, have subagents in the Milan, Turin, Venice, Naples, and a few other mill districts.

For the *Netherlands* most of the cotton is sold by agents of cotton exporters in Enschede or Rotterdam, principally in Enschede which is located in the heart of the Dutch mill center. In Rotterdam there are some cotton merchants who may also do business outside the Netherlands.

Norway has no cotton merchants, and all the cotton is sold directly to mills by exporters or through agents of cotton exporters in Oslo or Bergen.

In *Portugal* very few of the agents of cotton exporters are located in Lisbon; most are in Oporto, the principal mill district in the country. These agents sell to mills. Some also merchandise cotton.

In *Spain* U.S. cotton is bought through agents of cotton exporters by mills and/or merchants, but Spain today depends mainly on its own cotton and even exports small quantities at times.

In *Sweden* cotton is sold to mills through agents of the exporters. Most agents are located in Gothenburg; a few are in Stockholm.

In *Switzerland* cotton is sold to mills through agents of cotton exporters. The cotton business is concentrated in Zurich although a few exporters' agents are also located in Lausanne and Geneva. The sole merchant firm is located near Zurich.

In the *United Kingdom* some exporters have agents. Others have direct connections with Liverpool and Manchester merchants and some with mills. Agents and merchants both sell to mills. For several years during and after World War II, cottons were purchased through the Raw Cotton Commission, a government organization, but this practice has been discontinued. The United Kingdom has fewer cotton firms than before World War II because of reduced consumption of raw cotton.

Communist Countries

U.S. cotton can be sold to Communist countries provided an export license is obtained.

Bulgaria, East Germany, Hungary, and Romania used to have agents of cotton exporters and subagents of merchant firms in Bremen, Hamburg, Rotterdam, Le Havre, Liverpool, Milan, and other places. Now the cotton is bought through government organizations. *Albania* is not an important importer of cotton.

In *Czechoslovakia* cotton exporters sell directly to a central government buying office, "Centrotex," in Prague. In prewar days there were agents of cotton exporters and of Bremen, Hamburg, Rotterdam, Le Havre, and Liverpool merchants in the mill centers of Czechoslovakia: Reichenberg, Prague, Nachod, and others.

Like Czechoslovakia, *Poland* has no cotton agents or merchants. Exporters offer direct to a central government buying organization, "Textilimport," in Lodz. The buying of cotton has been done by representatives of "Textilimport" who come to the United States to purchase and pass on the quality of cotton. Prior to World War II, there were agents of cotton exporters and European merchants in Lodz, the center of the mill district.

For the *Soviet Union* a Trading Organization buys all the cotton imported. Russian cotton is sold on Moscow classification before shipment, but when anxious to sell, the Soviet Union might agree to Liverpool arbitration.

There are at present no cotton agents or merchants in *Yugoslavia*. The cotton exporters make offers direct to the government central buying organizations "Centro Textil" in Belgrade, "Jugo-Tekstil Impex" in Ljubljana, "Makotex," "Skoplje," or "Textil" in Zagreb. These government organizations usually send some representatives to the United States when they have larger quantities of cotton to purchase.

Prior to the Communist regime, *Mainland China* was a large cotton-importing market. Activities were concentrated in Shanghai, where the agents of exporters were located. Some of the mills have moved to Taiwan or Hong Kong.

The names and addresses of buying organizations in the Communist countries follow.

Albania: "Exportal," Rue 4, Shkurti 6, Tirana.

Bulgaria: "Industrialimport", 3, rue Positano, Sofia.

China: "The China National Textil-Import & Export Corporation," 48, Tung An Men Street, Peking.

Czechoslovakia: "Centrotex", Trida Dukelskych Hrdinu 530/47, P.O.B. 7970, Prague 7.

German Dem. Republic: "Deutscher Innen-und Aussenhandel Textil," Behrenstrasse 46, Berlin W. 8.

Hungary: "Importtex", Bajscy-Zsilinszky Ut 16, P.O.B. 361, Budapest 5.

Romania: "Romanoexport", 4, Piata Rosetti, Bucharest.

USSR: V/O "Exportlyon", Smolenskaja Ploszczadz 32/34, Moscow.

Yugoslavia: "Centrotex", Import-Export, P.O.B. 82, Knez Mihajlova ul. 1-3/III, Belgrade.

"Textil Import-Export," Sostariceva 10, P.O.B. 348, Zagreb.

"Jugotextil-Impex", Ljubljana.

Asia and Oceania

In *Australia* cotton is bought by mills from agents of cotton exporters. Some exporters may have direct contact with mills. Imports of cotton have declined as domestic production has increased.

In *Burma* the only U.S. cotton bought to date was programmed in small quantities under P. L. 480. These purchases were handled through the Burmese Government for the government-owned mill. The construction of additional cotton mills by the government is planned. No U.S. cotton has been programmed to Burma in the last 4 years, and none has been purchased on a cash basis.

Ceylon's limited cotton industry bought small quantities of U.S. cotton prior to World War II through cotton merchants in Bombay. An expansion of the cotton textile industry, which now consists of only two mills, could change this situation. The main suppliers of cotton to Ceylon have been for many years East Africa, Sudan, and Egypt, but the quantity has never been large.

Hong Kong has liberalized cotton imports. The cotton is sold through agents of the exporters to the mills. Some cotton is sold directly to mills by exporters.

India has an old and well-established cotton trade, which includes agents, brokers, and merchants, in Bombay. The Indian mills buy foreign cotton through agents of cotton exporters or from Indian merchants. Bombay agents and merchants have subagents or branch offices in the principal mill centers of Madras, Cawnpore (Kampur), Ahmedabad, Coimbatore, and Calcutta. Some large mill groups have buying offices in Bombay.

In *Indonesia* when most mills were connected with foreign mills (Dutch and British) or had foreign capital, the buying of cotton was in fact done by the foreign interests abroad. Now the cotton is purchased for the Indonesian Government through its representatives in New York who issue tender notices.

Iraq is not a regular user of foreign cotton. In the past this country occasionally bought foreign cotton direct from cotton exporters.

In *Israel* cotton is bought by mills through agents of exporters, but the increasing Israeli cotton crop has minimized purchases of foreign cotton.

In *Japan* cotton exporters sell cotton to Japanese merchants directly or through their agents in Osaka. These merchants in turn sell to mills. No agents deal directly with mills. Several of the large Japanese merchant firms have branches or affiliates in the United States that buy cotton directly from farmers, gins, U.S. merchants, and the CCC (under the export sales program), like any U.S. cotton exporter. This situation reduced the volume sold by Japanese-based agents of U.S. exporters.

Korea buys a large percentage of its imported cotton from the United States because of the aid it receives from this country. There are agents but no merchants in Korea.

Lebanon irregularly buys small quantities of U.S. cotton directly from American exporters. There are few cotton agents in this country.

Malaysia has two cotton spinning mills in Johore State, opposite Singapore; construction of others has just begun elsewhere. So far, the cotton is bought directly from exporters or agents in Hong Kong.

New Zealand has no spinning mills.

Pakistan, like India, has an old and well-established cotton trade, which includes agents, brokers, and merchants. The center of this trade is Karachi. Mills in both East and West Pakistan buy foreign cotton through agents of cotton exporters or through Pakistani merchants in Karachi. At present, American extra-long staple is the only foreign cotton imported because Pakistan is a large exporter of upland and Desi type cottons.

In the *Philippine Republic* Manila agents of cotton exporters generally sell cotton to the mills. A few mills buy directly from exporters. Some mills or their affiliate companies have offices in the United States that buy direct from U.S. cotton shippers.

The *Ryukyu Islands* buys cotton for the only mill through a Japanese firm in the United States.

The only mill in *Singapore* was liquidated in 1962, and some of its equipment was transferred to Johore State in Malaysia. Construction of a new mill is planned.

South Vietnam's cotton textile industry buys cotton directly from exporters or through agents of exporters in Saigon.

In *Taiwan* the purchase of U.S. cotton under aid programs, which is dwindling, is carried on by the Taiwan Cotton Purchasing Association, Taipei, for some 16 mills. Other mills buy individually. The Central Trust of China buys cotton for the account of the government, while free dollar purchases are made individually by mills. In Taipei there are many agents representing cotton exporters, but no merchants are located in this city.

In *Thailand* U.S. cotton is bought directly from the exporter or through agents of U.S. exporters in Bangkok or Hong Kong.

South America and the Caribbean

Mills in *Argentina* buy very little foreign cotton; when they do, the purchases are negligible and infrequent and are made directly from exporters or through exporters' agents.

Brazil produces all the cotton it needs, except for some extra-long staple.

In *Bolivia* foreign cotton is bought through government offices.

In *Mexico* small quantities of Egyptian imported.

Chile, Cuba, Colombia, Ecuador, Uruguay, and Venezuela buy cotton through local agents of cotton exporters. Some mills in Chile and Colombia have samples of their purchases in the United States approved by cotton firms before shipment. The quantities for all these countries remain small.

In the *Dominican Republic* and *Jamaica*, cotton is bought directly from exporters by the mills.

Africa

Algeria so far has purchased small quantities of cotton through French connections. The cotton spinning industry, still small, is expected to grow.

The Democratic Republic of the *Congo*, normally a net cotton exporter, today buys U.S. cotton through an American general import and export firm by tender notices to the cotton export trade.

In *Ethiopia* cotton is bought directly from cotton exporters and through agents of cotton exporters.

Ghana buys its cotton for its one mill through an American general import and export firm by tender notices to the cotton export trade.

Guinea buys its U.S. cotton by tender notices to the U.S. cotton export trade issued by its embassy in Washington, D.C.

In *Morocco* cotton is bought partly through firms in France, which still have connections with Moroccan mills. Some mills also buy directly from exporters or through agents of exporters in Morocco.

Sierra Leone has no cotton textile industry. Some P. L. 480 cotton was programmed in 1965 but was processed in a third country.

Rhodesia bought U.S. cotton for the first time in 1956. These purchases were handled either direct between the only mill there and U.S. cotton exporters or through agents of cotton exporters in the Union of South Africa. Since the political disturbances in Rhodesia, no U.S. cotton has been sold to that country.

In the *Republic of South Africa* U.S. cotton is sold mainly through exporters' agents there. Some mills with ties in Europe still buy cotton there, but this system will disappear sooner or later. The local crop has increased to a point where little cotton needs to be imported today.

Tunisia, a new buyer of cotton since 1963, purchases its cotton through its Washington embassy by tender notices to all the cotton trade. This country has only one mill, which is run by the state.

Before World War II markets like Mainland China, India, Indonesia, Japan, the Philippines, Australia, South Africa, the Balkan states, and the South American countries were worked by only a few U.S. exporters. Today, a great many more cotton exporters sell in these areas. Hong Kong expanded its industry only after the Communist takeover in China, when some Chinese mills moved to the Crown Colony. Korea and Taiwan imported cotton through Japan in prewar days while under Japanese control.

Since World War II, new or bigger markets have opened up for U.S. cotton in countries like Indonesia, Hong Kong, the Philippines, Thailand, Vietnam, Malaysia, and Ethiopia. On the other hand, a very large market has been lost for U.S. cotton in Mainland China since the Communists took over.

HANDLING OF COTTON ABROAD

Cotton imported on a c.i.f. or c. & f. basis by an agent of an exporter is delivered to the buyer at the port. The buyer is either an importer (cotton merchant) or a mill. If the buyer is a mill, the cotton is most likely shipped immediately to the mill warehouse. If the buyer is a merchant, the cotton is either delivered to a mill at the port or shipped to a warehouse at the port for storage. If shipments against a c.i.f. sale are made "guaranteed through," i.e., with weights, tare, and quality guaranteed, the weight and tare are established on arrival at the port and the quality is checked by the buyer from the samples taken at the port. When buyers, principally mills, buy f.o.w. at the port, the agent of the exporter arranges for loading the cotton in cars or trucks. Consignments are sold either ex-warehouse or f.o.b. warehouse.

Cotton merchants or importers abroad engage in many of the same activities and have many of the same problems as U.S. cotton exporters. They have to take care of hedging, insuring, financing, storing, and shipping.

PUBLIC LAW 480 AND THE COTTON EXPORT TRADE

(Prepared by the FAS Program Development Division and General Sales Manager's Office)

Cotton, like many other agricultural commodities, can be exported under the Agricultural Trade Development and Assistance Act of 1954, as amended—commonly known as Public Law 480. This act has as its main objective the constructive use of the agricultural abundance of the United States.

The Food for Peace Act of 1966, which became effective on January 1, 1967, substantially extended and amended P. L. 480. Since that date, all concessional sales programs have come under Title I of the Act. These sales programs include government-to-government sales for foreign currencies, government-to-government and private trade long-term dollar credit sales (both formerly under Title IV), and convertible local currency credit sales. The latter type of sale, which is similar to government-to-government long-term dollar credit sales except that payment of principal can be deferred for longer periods of time and the grace period on principal payments extended over a greater number of years, was authorized by Congress as a means of implementing the legislative objective of effecting "... a progressive transition from sales for foreign currencies to sales for dollars. . . ."

Cotton may be sold on a trade-to-trade basis under Title I although the overall agreements are made between the U.S. Government and foreign governments and, less often, between the U.S. Government and private trade entities.

Cotton may also be exported under the barter program provided for by Title III, but in this instance the cotton must be obtained only from CCC. Government-to-government agreements are not ordinarily involved in the barter program. The cotton trade does not ordinarily participate in Title II activities, which cover donations of foods through governments, voluntary agencies, and intergovernmental organizations.

Title I Sales

Title I of P. L. 480 authorizes the President to carry out programs for the sale of U.S. agricultural commodities under agreements with friendly nations or organizations of friendly nations.

In negotiating Title I sales agreements, the President, among other requirements,⁹ is obliged to (1) take reasonable precautions to safeguard U.S. usual marketings and assure that such sales will not unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries; (2) assure the use of private trade channels to the maximum extent practicable both with respect to sales from privately owned stocks and with respect to sales from stocks owned by the Commodity Credit Corporation and that small business has adequate and fair opportunity to participate in sales under the act; (3) give special consideration to development and expansion of foreign markets for U.S. agricultural commodities; (4) obtain commitments from purchasing countries that will prevent resale or transshipment to other countries, or use for other than domestic purposes, of agricultural commodities purchased under the act without specific approval; (5) obtain rates of exchange applicable to the sale of commodities under such agreements which are not less favorable than the highest of exchange rates legally obtainable by any other nation; (6) whenever practicable require upon delivery that not less than 5 percent of the purchase price of agricultural commodities sold under the act be payable in dollars or in the types of currencies which can be converted to dollars; (7) take maximum precautions to assure that dollar credit sales under the act shall not displace any sales of U.S. agricultural commodities which would otherwise be made for cash dollars; (8) take steps to assure a progressive transition from sales for foreign currencies to sales for dollars or to the extent that transition to sales for dollars is not possible, transition to sales for foreign currencies on credit terms no less favorable to the United States than those for foreign assistance development loans and on terms which permit conversion to dollars at the exchange rate applicable to the sales agreement.

The legislation authorizes supply periods of up to 10 years in the case of dollar credit agreements; multi-year supply periods are also possible in the case of foreign currency and convertible currency credit sales. However, government-to-government agreements are generally negotiated on the basis of annual supply periods.

As already indicated, the legislation requires that, whenever practicable, not less than 5 percent of the purchase price of the commodities sold under Title I agreements shall be payable upon delivery in dollars or in local currencies convertible to dollars. In the case of dollar and convertible currency credit sales, the legislation authorizes P. L. 480 financing on credit terms of ocean transportation costs for that portion (usually 50 percent) of the total tonnage required to be shipped on U.S. flag vessels. In the case of foreign currency sales, P. L. 480 financing of such ocean transportation costs is limited to the amount by which the cost of shipping on U.S. vessels exceeds the cost on non-U.S. vessels.

Government-to-Government Dollar Credit and Convertible Foreign Currency Sales:—The legislation directs that payment terms shall be as favorable to the United States as the economy of the recipient country will permit. Repayment terms and interest rates are determined on a case-by-case basis, taking into account the country's external financial position, its capacity to service the dollar obligations involved, its stage of economic development, and other considerations. The first annual payment may be deferred up to 2 years in the case of dollar credit sales (up to 10 years under convertible local currency agreements) from the date of last delivery of any commodity under the agreement in each calendar year. Interest rates have generally ranged between the cost of funds to the Treasury for comparable maturities and the minimum permissible under the legislation (2½ percent per annum), except during the period of deferment when the interest rate may be set at 2 percent per annum. As a general rule, negotiation of a government-to-government agreement includes a formal understanding that the two governments shall agree on the use of the local currency proceeds from the sale of commodities under the agreement. Repayment terms may be extended up to 20 years for dollar credit and 40 years for convertible local currency credit sales. Interest on dollar credit sales is charged from the date of last delivery under the agreement in each calendar year and from the date of U.S. disbursement for the financing provided under convertible local currency credit terms.

Private Trade Dollar Credit Sales:—Any private trade entity (PTE) of the United States or a foreign country which otherwise meets program requirements is eligible to enter into a Title I agreement with the Secretary of Agriculture to export agricultural commodities to friendly nations. Payment periods are set on a case-by-case basis in relation to specific private enterprise projects to be undertaken under the agreement. Repayment of dollar amounts

⁹ P.L. 480, as amended Nov. 11, 1967, contains strong emphasis on agricultural self-help undertakings by recipient countries. Discussion of these and other requirements of lesser immediate interest to the cotton trade are omitted.

must be secured by assurers acceptable to CCC. The interest rate is set at the cost of funds to the U.S. Treasury for comparable maturities and is determined at the time the agreement is entered into. Principal payments must be made in approximately equal annual installments, with the first payment due not later than December 31 of the year following the calendar year in which commodities are exported. Preference is given to proposed agreements involving projects which will develop additional economic markets for U.S. agricultural commodities, such as facilities for food processing and distribution and other supporting facilities and services essential to efficient and economic marketing.

Program Development for All Sales Agreements

The safeguards and standards contained in the law necessitate careful planning of country programs. The Secretary of Agriculture is responsible for determining the kinds and quantities of commodities which will be included in the negotiations of agreements. Specific programs are developed in consultation with several agencies and departments of the Federal Government, including the Department of State, the Agency for International Development, the Treasury Department, the Department of Commerce, the Bureau of the Budget, and the Department of Defense.

Title I agreements usually stem from requests submitted by foreign governments, sometimes following discussion with U.S. Embassy officials. The requests generally consist of a list showing specific quantities of commodities wanted and an explanation of the supply and economic factors underlying the request. These requests are analyzed carefully, taking into account legislative requirements, funds limitations, foreign exchange position of the country, impact on dollar sales and other export programs, effect on the export markets of other supplying countries, and numerous other factors which may vary from commodity to commodity and country to country.

Since P. L. 480 affects many activities and responsibilities of the U.S. Government, an interagency committee with representatives from interested agencies is responsible for consideration of specific proposals for foreign currency sales and for working out the provisions of agreements. The Department of Agriculture heads this working group.

Each proposed country program is submitted to the interagency committee for consideration. When approved, instructions are dispatched to the U.S. Embassy in the country for negotiation by a team acting under the direction of the Ambassador and consisting of representatives of interested U.S. agencies, including the Agricultural Attaché. The negotiators for both sides review the commodities, the quantities, the period in which purchases and deliveries might be expected to be made, and the safeguarding of commercial marketings. Appropriate assurances are obtained from the participating governments that reasonable safeguards will be taken that Title I sales will not displace U.S. usual marketings or be unduly disruptive of world market prices or normal patterns of commercial trade with friendly countries. In some cases, Title I agreements include global marketing provisions which specify quantities of certain commodities to be purchased commercially within a given period from Free World sources (including the United States) in addition to the quantities to be purchased from the United States under the sales agreement. In some cases, specific quantities to be purchased commercially from the United States are indicated.

The use of funds accruing from local currency sales are also reviewed and clarified. It is agreed as to the percentage to be reserved for U.S. uses, including the payment of U.S. Government expenses abroad; the amount for loans to private business firms; and the amount to be loaned or granted to the foreign government for economic development purposes.

If the sales agreement provides credit terms, agreement is reached on the use made in the recipient country of sales proceeds arising from sales of the commodities.

An important responsibility of the negotiating team is to make certain that the foreign government fully understands the various requirements and conditions of the Title I agreement. In connection with these agreements it is essential that there be a clear understanding as to the rate of exchange and the applicable fiscal procedures. Also, there may be special conditions, such as restrictions on exports of certain commodities from the participating country.

After a sales agreement has been signed, the importing country or the private trade entity applies to the Foreign Agricultural Service (the agency responsible for administering all agreements under Title I) for purchase authorizations. These purchase authorizations provide for financing of the commodity sales and specify the conditions under which the financing will be made available. Normally, 7 days after a purchase authorization is issued, U.S. exporters may make sales to foreign buyers. Information about the buyers is contained in the published

purchase authorizations. In the case of government-to-government agreements, further information can be obtained from the Washington Embassy of the importing country.

Generally, U.S. suppliers are paid promptly in dollars under letters of credit issued through the commercial banking system. The Commodity Credit Corporation (CCC) reimburses U.S. bankers for the authorized transactions. However, present legislation specifies that where practicable, at least 5 percent of the purchase price will be paid by the importer in dollars and/or other convertible currency upon delivery. This initial payment is made by the recipient government or foreign importer through the commercial bank which issued the letter of credit to the U.S. commodity supplier. The percentage to be financed will be stated in the purchase authorization.

Eligibility.—In order to participate in the sale of commodities under P. L. 480, a U.S. supplier must be engaged in the business of selling for export or furnishing ocean transportation from the United States and must demonstrate previous related experience. He must furnish to the Director of the Program Operations Division, FAS, statements of financial responsibility. He must also comply with the applicable provisions of purchase authorizations and with regulations issued under P. L. 480.

Financing procedures.—Two types of financing may be used: the letter of commitment method or the reimbursement method.

Under the first method, CCC issues a letter of commitment to the U.S. bank selected by the importing country or private trade entity. CCC is then committed to reimburse the U.S. bank in dollars for eligible payments made under letters of credit to P. L. 480 suppliers. At the time a purchase authorization is signed, or promptly thereafter, a purchasing country or private trade entity should apply to CCC for the letter of commitment.

Under the second method of financing, the importing country itself guarantees immediate payment to the supplier out of its own dollar resources. The country may then apply to CCC for reimbursement of its dollar expenditures (and furnish all required documents).

The following is an outline of financing procedures under the letter of commitment method:

1. The government of the importing country, or the private trade entity, applies to CCC for a letter of commitment. Each application designates the “approved applicant” and the U.S. commercial bank that will participate in the financing. The approved applicant may be a foreign bank, and agency of the foreign government, or a private trade entity. The letter of commitment guarantees that CCC will reimburse the U.S. bank through a designated Federal Reserve Bank for payments made to U.S. suppliers under letters of credit. However, the letter of commitment will not include funds to cover the down payment required or the 2 percent for cotton transactions which the importer must finance in free dollars.

2. The government of the importing country, the private trade entity, or a private importer licensed by his government, applies to the approved applicant or its agent in the foreign country for a letter of credit in favor of the selected supplier in the United States. The foreign bank then sends to the designated U.S. bank instructions regarding the opening of letters of credit in favor of U.S. suppliers and provides the funds to reimburse the U.S. bank for the initial payment. Shipments made before the U.S. exporter receives a letter of credit are made at the supplier's risk. If the letter of credit is opened after shipment is made and the shipment was within the delivery period specified by the purchase authorization, CCC may still finance the sale, but such financing is optional to CCC.

3. As a prerequisite for CCC financing, the supplier must register the sale with USDA and obtain approval of the price. Cotton sales are registered and approved for CCC financing at the New Orleans, La., Commodity Office of USDA's Agricultural Stabilization and Conservation Service. Registrations and approval of sales of all other commodities are made by USDA, Washington.

4. The U.S. supplier delivers the commodities to the designated U.S. port and receives a bill of lading as a receipt for the commodities loaded on board. The supplier submits the bill of lading, weight and inspection certificates, and other required documents to the U.S. bank.

5. The U.S. bank examines the documents and pays the supplier in dollars as specified in the letter of credit. The U.S. bank presents its draft together with copies of the required documents to a Federal Reserve bank named in the letter of commitment. The Federal Reserve bank, acting as agent for CCC, pays (reimburses) the U.S. banks. The U.S. bank sends notice of its disbursement to the foreign bank, together with required documents.

6. The foreign bank, under local currency sales, must deposit the local currency equivalent of the dollars financed by CCC to the account of the U.S. Government immediately upon receipt of notice of disbursement from the U.S. bank. Under long-term credit transactions, including sales for foreign currency convertible to dollars, the foreign bank notifies its government or the private trade entity of the dollar amount financed by CCC. Scheduled

repayments in dollars, with the stipulated interest, are made to CCC in accordance with each long-term credit agreement.

7. In order to provide for a period which will permit settlements between buyer (importer) and seller (supplier), CCC financing is available for 210 days after the end of the delivery period specified in the purchase authorization (or any amendment or modification of it).

Ocean transportation.—Arrangement for the ocean transportation of commodities purchased under Title I purchase authorization is made either directly by officials of the importing government or private trade entity or by their appointed agents. The pertinent terms of all proposed charters or liner bookings, regardless of whether any portion of ocean freight is financed by CCC, must be submitted to the appropriate USDA office for review and approval prior to fixture of the vessels. In the case of cotton shipments, approvals are obtained from the Director, ASCS Commodity Office, New Orleans, La. For all other commodities approvals are obtained from the Director, Ocean Transportation Division, FAS, Washington, D.C.

At least 50 percent of all commodities purchased under Title I of P. L. 480 must be shipped on privately owned U.S. flag vessels insofar as such vessels are available at fair and reasonable rates, guidelines for which are computed by the Maritime Administration.

Financing of ocean freight by CCC, if any, is limited to that quantity required to be shipped on U.S. flag vessels and must be under the reimbursement method. Freight financing by CCC under sales for foreign currencies is limited to the ocean freight differential, if any, which the Director, Ocean Transportation Division, FAS (or Director, New Orleans ASCS Commodity Office, in the case of cotton) determines to exist between the prevailing foreign flag vessel rate and the U.S. flag rate. Under long-term dollar credit sales, the entire freight on required U.S. flag shipments may be financed by CCC.

Usual marketings.—During the period of each agreement, the recipient country is required to purchase normal requirements of agricultural commodities from commercial sources in the United States and other Free World countries. These required commodity purchases are called “usual marketings.” Usual marketing requirements have the effect of insuring that P. L. 480 sales will not disrupt world prices or damage U.S. commercial sales, as required by law. Agreements also prohibit the resale or transshipment of P. L. 480 commodities in order to insure their use as specified under P. L. 480.

Further information.—The U.S. Department of Agriculture issues press releases when agreements are signed or purchase authorizations issued. Persons who wish to be placed on the mailing list for automatic receipt of such announcements should write to the Foreign Market Information Division, Information Services Branch, Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D.C. 20250, requesting that their names be added to mailing list FAS-FSD.

Copies of purchase authorizations are distributed through FAS-PA mailing lists, on a selective commodity basis or on a total commodity basis, to U.S. firms interested in participating in P. L. 480 sales transactions. Firms wishing to be placed on a mailing list for automatic receipt of purchase authorizations should write to the Program Operations Division, Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D.C. 20250, or telephone area code 202, DUDley 8-2109 or DUDley 8-6474.

TITLE I REGULATIONS

Upland and Extra-Long Staple Cottons

(Quoted from Appendix A, Sections V and W, *Public Law 480 Regulations Governing the Financing of Commercial Sales of Agricultural Commodities* as amended, March 29, 1968.)

(1) *Notification of sale by the supplier:* The supplier shall, within 5 days from the date of export sale, furnish the Director, ASCS Commodity Office, Wirth Building, 120 Marais Street, New Orleans, La., 70112, with a copy of his sales confirmation, and if the supplier fails to do so, CCC shall have the right to refuse to finance the sale under the program. The supplier must furnish the name and address of the sales agent, if any.

(2) *Price confirmation:* The ASCS Commodity Office will undertake, on behalf of CCC, to check the sales confirmation as to price and to inform the supplier, within 3 business days from receipt of the sales confirmation, whether such price is in conformance with Section 17.7 of these regulations.

(a) If the ASCS Commodity Office determines that the sales price is in conformance with Section 17.7 (a) of the regulations, the supplier will be informed immediately by telegram of the registration number assigned to the sale by CCC. The ASCS Commodity Office also will mail to the supplier the original and one copy of Form NOCO-467 which will show the unit price approval and, for each invoice, the percentage of financing which CCC will provide pursuant to the provisions of the purchase authorization.

(b) Failure by the ASCS Commodity Office to so notify the supplier by telegram within 5 business days after receipt of the copy of the sale confirmation will indicate that the sale price is not acceptable, and the sale will not be financed under the program unless the supplier satisfies CCC that the sale price is in conformance with Section 17.7(a) of the regulations.

(3) *Financing*: The participant is responsible for opening letters of credit in favor of U.S. suppliers for amounts to be financed by CCC and for opening letters of credit or making other acceptable arrangements for prompt payment of amounts not being financed by CCC. Such arrangements must assure prompt payment of the full contracted price. If prompt payment of such amount is not made to a U.S. supplier in dollars, the entire transaction may be determined by USDA to be ineligible for CCC financing, and the participant shall, upon demand, make U.S. dollar refund to CCC of the amount financed by CCC. On receipt of such remittance, under foreign currency sales CCC will refund equivalent local currency to the importing country, and for long-term credit sales CCC will credit the participant's account.

(a) *Contracts basis Form A Sample Classification Memorandum (USDA Form CN-354) and Form M Classification Memorandum—Mechanically Drawn Samples (USDA Form CN-355)*. (Such forms are hereinafter referred to as Form A or Form M certificates, respectively.)

If USDA Form A or Form M certificates are required, the terms of the contract will finance:

(i) *For long-term credit sales*:

(a) 100 percent of c.i.f. or c. & f. invoice value if registered as a c.i.f. or c. & f. sale and ocean freight is authorized on Form CCC 106-3.

(b) 100 percent of the c.i.f. or c. & f. invoice value—less ocean freight—if registered as c.i.f. or c. & f. sale and ocean freight is not authorized on Form CCC 106-3.

(c) 100 percent of the invoice value (basis f.a.s.) if registered as a f.a.s. sale (CCC does not finance ocean freight on f.a.s. sales except under a separate purchase authorization for the procurement of ocean transportation).

(ii) *For foreign currency sales*:

(a) 100 percent of the c.i.f. or c. & f. invoice value—less freight—if registered as a c.i.f. or c. & f. sale.

(b) 100 percent of the f.a.s. invoice value if registered as a f.a.s. sale.

(b) *Contracts basis foreign arbitration*: For all contracts other than those which require USDA Form A or Form M certificates CCC will finance:

(i) *For long-term credit sales*:

(a) 98 percent of the invoice value of cotton and insurance plus 100 percent of freight for c.i.f. sales if registered as c.i.f. and ocean freight is authorized on Form CCC 106-3.

(b) 98 percent of the invoice value of cotton plus 100 percent of freight for c. & f. sales if registered as c. & f. and ocean freight financing is authorized on Form CCC 106-3.

(c) 98 percent of (invoice value less freight) for c.i.f. and c. & f. sales if registered as such and ocean freight financing is not authorized on Form CCC 106-3.

(d) 98 percent of invoice value (basis f.a.s.) for all sales registered f.a.s.

(ii) *For foreign currency sales*:

(a) 98 percent of (invoice value less freight) for c.i.f. or c. & f. sales if registered as such.

(b) 98 percent of the f.a.s. invoice value if registered as a f.a.s. sale.

(c) *Reimbursement for ocean freight differential*: For sales registered as c. & f., c.i.f., or f.a.s., when the Form CCC 106-3 authorizes financing ocean freight differential, the supplier may obtain reimbursement for ocean freight differential not included in payment under the letter of credit by application to the New Orleans ASCS Commodity Office.

(d) *Refunds*: The provisions of Section 17.12 (a) which require remittance of refunds to CCC do not apply to refunds arising out of cotton sales financed under these regulations unless otherwise provided in the purchase authorization or letter of commitment. Such refunds shall be remitted by the supplier for the account of

the importer through the U.S. bank which financed the original transaction. The remittance shall be identified with the date and amount of the original payment, the commercial letter of credit number, and the purchase authorization number. (For transactions where the supplier is billed by CCC for refund of amounts overfinanced the supplier shall remit directly to the billing office.) The participant may retain all dollar exchange received in connection with the adjustment refunds under a purchase authorization which is subject to the regulations. In the case of ineligible cotton, the supplier shall remit directly to CCC. CCC will make appropriate local currency refunds to importers for dollar recoveries by CCC direct from suppliers or will advise the participant of credit to its account as appropriate.

(e) *Insurance*: The provisions of Section 17.12 (b) of the regulations with regard to insurance claims which require that claims be paid to the Controller do not apply to cotton sales for which c.i.f. financing is authorized. The participant may retain all dollar exchange received in connection with insurance claims under such c.i.f. financed cotton sales.

(4) *U.S. net weight*: Net weight shall be determined in the United States and certified by a U.S. warehouseman, or it shall be determined at the U.S. port of export and certified by an authorized weigher (sales basis landed weight, ex-dock and exwarehouse—consigned stocks—are not eligible for financing).

(5) *Quality*: Although sellers' offers may be on the basis of private types, in all invitations for bids the quality shall be described in terms of the official cotton standards of the United States. Quality shall be specified in contracts between importers and suppliers. A contract shall cover only one quality. Quality descriptions in contracts shall be in terms of the Official Cotton Standards of the United States, except where sales are made on the basis of private types. In the case of private-type sales, the supplier must make such private types available for classification by the USDA Consumer and Marketing Service no later than the date the sale confirmation is furnished the New Orleans ASCS Commodity Office.

(6) *Arbitration*: Cotton shall be subject to arbitration for quality (unless the contract provides for Form A or Form M certificates) and for other terms under rules of an established cotton exchange or association agreed upon by the importer and supplier, such established cotton exchange or association to be identified in the contract. An importer of cotton shall, if requested by CCC, obtain foreign quality arbitration under the specified cotton exchange or association rules. If the contract provides for Form A or Form M certificate, CCC will not request such arbitration. The arbitration award may be appealed by the supplier or the importer and shall be appealed by the importer, upon request by CCC, under the applicable rules specified in the contract. If the costs paid by the importer for an arbitration or appeal requested by CCC are in excess of the award, CCC will reimburse the importer, or other party designated by the importer, in an amount equal to such excess, upon submission to the Director, ASCS Commodity Office, New Orleans, La. 70112, of documentation showing the amount of costs incurred by the importer and the amount of the award. These provisions shall not alter the rights of the importer and the supplier to effect adjustment by arbitration or otherwise in accordance with the provisions of the contract or customs of the trade for other than quality deficiencies or for quality deficiencies if CCC does not request arbitration.

(7) *Certification as to quality and classification*: The supplier's invoice (CCC copy only) or a signed attachment thereto shall contain the following certification: "The undersigned hereby represents that he believes the quality and classification of the cotton shipped under this contract are substantially as stated in the contract. The supplier does not guarantee the quality or classification and agrees to adjust the price for any difference in quality or classification determined by arbitration as provided in the regulations or the purchase authorization."

(8) *Delayed letter of credit*: Interest or carrying charges incurred as a result of delays in establishing letters of credit are not eligible for financing.

(9) *Sampling, classification, and adjustment of contract price*: (This provision is applicable to all sales hereunder unless the contract provides for Form A or Form M certificate.

(a) *Tag lists and sampling*: The supplier shall furnish to any permanent C&MS classing office of his choice a tag list of the cotton included in a single export shipment showing the supplier's name and address; the CCC registration number; purchase authorization number; the supplier's sale number, if any; the name, address, and CCC code number of the warehouse in which cotton is stored; and the warehouse bale numbers of the cotton to be exported listed in numerical sequence. A separate tag list must be submitted for the cotton to be shipped from each warehouse. Samples will be required from a minimum of 10 percent of the bales of cotton (larger percentages will be used on small lots). The bales to be sampled will be selected by the chosen C&MS classing office and entered on a record sheet. If the supplier desires a larger percentage of samples to be drawn than the minimum required, he should indicate such percentage on the tag list. At the time the copy of the tag list is furnished the warehouseman by

the supplier, he shall instruct him to sample the bales of cotton listed on the record sheet and to handle such samples in accordance with instruction issued by the New Orleans ASCS Commodity Office. The supplier shall also instruct the warehouseman that the cotton must not be shipped until after it has been sampled in accordance with instructions issued by the New Orleans ASCS Commodity Office. All costs relating to the samples and sampling will be for the account of the supplier.

(b) *Submitting private type for classification:* If the sale is made on the basis of private type and if the particular type has not been classed under the revised standards effective June 15, 1963, the supplier shall submit the private type for classing directly to the Appeal Board of Review Examiners, Cotton Division, C&MS, USDA, 4841 Summer Avenue, Memphis, Tenn. 38117, along with a completed Request for Classification (Form CN-357). The type shall be identified by the supplier's name and address and private-type name or designation.

If the sale is made on the basis of private type classed under the revised standards effective June 15, 1963, the supplier shall so advise the New Orleans ASCS Commodity Office and identify such private type by furnishing the supplier's name and address, the number of the C&MS classification memorandum, the date of such classification memorandum, and the supplier's private-type name or designation.

The private type submitted for classification hereunder shall be identical in quality with the private type on which the sale is based and the private type supplied to the arbitration board in connection with the contract covering the sale.

(c) *Adjustment of contract price:* In addition to the other requirements for quality arbitration, the following will also apply:

(i) When the classification of the cotton is determined by an appeal board in connection with an appeal from an arbitration award, the contract price shall be reduced by the larger of the following two amounts: The award assigned or the amount by which the contract price exceeds the prevailing range of export prices at the time of sale as determined by CCC on the basis of the classification assigned by the appeal board in connection with such appeal.

(ii) When the classification of the cotton is not determined by an appeal board in connection with an appeal from an arbitration award, the contract price shall be reduced by the amount of the award assigned.

(10) *Extra copy of invoice:* Supplier shall forward, immediately after shipment of the cotton, a legible copy of his invoice to the Director, ASCS Commodity Office, Wirth Building, 120 Marais Street, New Orleans, La. 70112, Attention: CO-8-JPD. Such copy is in addition to the copy for CCC to be submitted with other required documents to the banking institution.

Financing of Cotton Textile Exports

(Public Law 480 Regulations, Section 17.5, as published March 29, 1968)

(e) *Cotton textiles.* (1) Except as provided in subparagraph (2) of this paragraph, financing of textiles under these regulations will be limited to cotton yarns and fabrics processed up to and including the dyed and printed stage, including preshrinking. If any further processing of such yarns and fabrics beyond such stage is desired, it shall be at the expense of the participant. Financing will be available only for textiles manufactured entirely of U.S. cotton in the United States.

(2) Purchase authorizations may permit cotton textiles processed beyond the stage described in subparagraph (1) of this paragraph to be procured from U.S. suppliers, but the maximum financing by CCC under these regulations will be limited to the equivalent value of the cotton yarns and fabrics, described in subparagraph (1) of this paragraph, contained in such textiles plus eligible ocean transportation costs.

(3) If a purchase authorization for a textile of a specification not produced in the United States should be requested, a purchase authorization for such specification will not be issued and any purchase authorization issued shall provide instead for the financing of a textile produced in the United States which has a reasonably close specification to that requested.

Title III, Barter (Prepared by FAS Barter and Stockpile Division)

Authority:--Basic authority for barter transactions is contained in the Commodity Credit Corporation Charter Act (P. L. 81-85), as amended and the Agricultural Trade Development and Assistance Act of 1954 (P. L. 480), as amended. These acts provide for the exchange of agricultural commodities for (1) goods and services needed abroad by other U.S. Government agencies and (2) strategic materials for the U.S. stockpile.

Barter Policies and Objectives:--Since 1962 when the President approved program recommendations made by the Executive Stockpile Committee, the program has emphasized procurements abroad of goods and services for use by overseas installations of the Department of Defense and for foreign aid programs of the Agency for International Development. At present, the general policy is not to acquire strategic materials for stockpiling except where funds have been appropriated for their purchase. However, when it clearly appears to be in the best interest of the United States, exceptions to this general policy will be made.

The aims of the barter program are to increase exports of U.S. agricultural commodities, improve the U.S. balance of payments position, and help accomplish U.S. international policy objectives.

To provide against barter exports displacing cash sales for dollars or unduly disrupting world agricultural prices, CCC has established and periodically revises a list of countries to which specified commodities may be exported under the barter program. Program restrictions are framed and applied to protect the assets of CCC and to take advantage of the barter program's potential for improving the balance of payments position and for helping to accomplish other national objectives.

Barter Eligibility:--Agricultural commodities available for barter are announced in the CCC monthly sales list. Invitations for barter offers for procurements for the Defense Department and AID and for strategic materials are issued to the public on a case-by-case basis.

Acquisition and Sale of Cotton for Barter Purposes:--The following announcements (as amended) pertaining to application of cotton to barter contracts were issued by the New Orleans Office of the Agricultural Stabilization and Conservation Service: CN-EX-28 (Acquisition of Upland Cotton for Export under the Barter Program) dated May 23, 1966; NO-C-31 (Disposition of Upland Cotton--in Redemption of Payment-in-Kind Certificates or Rights in Certificate Pools, in redemption of Export Commodity Certificates, Against the "Shortfall", and Under Barter Transactions) dated February 25, 1966; CN-EX-27 (Acquisition of Extra-Long Staple Cotton for Export Under the Barter Program) dated January 5, 1965; and NO-C-27 (Sale of Extra-Long Staple Cotton) dated August 19, 1964.

These announcements, together with the applicable barter contract, contain the terms and conditions under which the cotton will be acquired, sold, and exported.

OTHER GOVERNMENT FINANCING

Two other means of government financing of cotton exports should be mentioned, i.e., the CCC Export Credit Sales Program and Export-Import Bank credit.

CCC Export Credit Sales Program

This material was prepared by the Office of the General Sales Manager, Foreign Agricultural Service.

The CCC Export Credit Sales Program was set up under the authority of the CCC Charter Act and Sec. 4 of P. L. 89-808. Under this program, exports of eligible U.S. agricultural commodities may be financed by U.S. exporters on a deferred payment basis for periods up to 3 years. CCC purchases the exporter's account receivable arising from the export sale made under the financing approval. The exporter will be paid cash for the receivable on submission of documents to the treasurer of CCC. These include the bill of lading, the sales invoice, an assignment of the account receivable, and an acceptable bank letter of credit assuring payment to CCC when due. Letters of credit may now be issued by foreign banks provided they are confirmed at least 10 percent pro rata by a U.S. bank for commercial risks. Export financing is limited to the port value of the commodity exported. When commodities are sold, credit is extended to importers abroad. Interest is charged at rates announced each month in the CCC monthly sales list. If the exporter is paid prior to expiration of the credit period, he must make prompt payment to CCC.¹⁰

¹⁰ Regulations change from time to time; therefore, for current information it is advisable to check with the proper divisions in FAS.

From July 1963 through December 28, 1965, \$75,345,757 worth of cotton was sold under the CCC Credit Program for export to Japan, South Korea, the Philippines, Italy, Poland, Yugoslavia, Hong Kong, Thailand, and Taiwan.

Export-Import Bank Credit

The following material on cotton financing was prepared by the Export-Import Bank of Washington, Washington, D.C. 20571:

Cotton is one of the principal agricultural exports financed by the Bank although the Bank is prepared to finance other commodities in surplus. The story of the Bank's assistance to the U.S. cotton grower illustrates the manner in which it is prepared to assist U.S. farmers generally.

The Bank's purpose in all cotton credits is to facilitate the export of U.S. cotton in situations where, because of temporary shortages of dollar exchange, credit terms longer than customary are required. The Bank has extended credits with maturities as long as 24 months in some instances in order to make possible the continuance of U.S. cotton shipments in the face of temporary exchange difficulties in foreign markets; the normal term of a commodity credit is 12 months.

The principal method followed by the Bank in financing cotton has been under credits established specifically to finance cotton and designed to restore and maintain normal private trade in cotton. The credits are extended to foreign banks or foreign government entities to which foreign mills and other importers apply for accommodations. The foreign importers make their purchases of cotton from private U.S. shippers; these transactions are then approved and guaranteed by the banks or the foreign government entities for financing under the credit. U.S. shippers make their arrangements, in turn, with their own commercial banks. Terms and conditions of Bank cotton loans maintain the trade through private channels both in the foreign country and in the United States and also maintain the normal functions of the private banks in the countries concerned and in the United States.

The basic objective of the Bank's credit facilities is to reduce the risks of export credit sales normally borne by American exporters. In the past, many commercial banks were not willing to buy exporters' notes receivable, largely because of unfamiliarity with specific markets and the difficulties inherent in affecting foreign exchange transactions in many countries. To enable American exporters to compete in world markets solely on the basis of price, quality, and service, the Bank established a program under which commercial banks buying foreign notes without recourse to the U.S. exporter could obtain from the Bank a comprehensive guarantee, covering commercial and political risks.

At the same time, in cooperation with the U.S. insurance industry, the Bank spearheaded the formation of the Foreign Credit Insurance Association (FCIA), a voluntary grouping of some 70 leading insurance companies, which issues policies protecting against commercial and political risks in selling abroad on credit.

FCIA policies can provide protection to exporters having working capital adequate to carry their own receivables. Proceeds of these policies can also be assigned to commercial banks as collateral for financing.

Under both the guarantee and insurance programs, the exporter is expected to carry a small share of the credit risk for his own account. This risk sharing gives some assurance that the exporter believes the transaction to be a sound one and helps the Bank, as an agency of the U.S. Government, to satisfy the requirement in its enabling legislation that it find reasonable assurance of repayment for any transaction in which it participates.

The Bank's assistance to U.S. cotton exporters best illustrates how commodity export financing can be arranged. Below is a brief outline of how a cotton exporter gains protection through a Bank guarantee. The same general provisions apply to policies issued by FCIA.

Over the years, the Bank has given financial assistance to U.S. cotton exporters in the sale of some 9 million bales of cotton under authorizations of some \$1.5 billion in loans and guarantees. In addition, cotton exports have received considerable assistance from FCIA.

Appendix

COTTON STANDARDS

NOTE: The standards marked with an asterisk (*) are descriptive.
The others are represented in physical form.

OFFICIAL COTTON STANDARDS OF THE UNITED STATES FOR LENGTH OF STAPLE

(All American cottons)

Inches:	Inches:
*Below 13/16	1-3/16
13/16	1-7/32
7/8	1-1/4
29/32	*1-9/32
15/16	1-5/16 (physical types for American Egyptian only)
31/32	*1-11/32
1	1-3/8 (physical types for American Egyptian only)
1-1/32	*1-13/32
1-1/16	1-7/16 (physical types for American Egyptian only)
1-3/32	*1-15/32
1-1/8	1-1/2 (physical types for American Egyptian only)
1-5/32	*1-17/32
	*1-19/32
	*1-5/8
	*1-21/32
	*1-11/16
	*1-23/32
	*1-3/4

**OFFICIAL COTTON STANDARDS OF THE UNITED STATES FOR
THE GRADE OF AMERICAN UPLAND COTTON--
UNIVERSAL STANDARDS**

White Cotton

*Strict Good Middling
Good Middling
Strict Middling
*Middling Plus
Middling
*Strict Low Middling Plus
Strict Low Middling
*Low Middling Plus
Low Middling
*Strict Good Ordinary Plus
Strict Good Ordinary
*Good Ordinary Plus
Good Ordinary

Spotted Cotton

*Good Middling Spotted
Strict Middling Spotted
Middling Spotted
Strict Low Middling Spotted
Low Middling Spotted

Tinged Cotton

*Good Middling Tinged
Strict Middling Tinged
Middling Tinged
Strict Low Middling Tinged
Low Middling Spotted

Light Spotted Cotton

*Good Middling Light Spotted
*Strict Middling Light Spotted
*Middling Light Spotted
*Strict Low Middling Light Spotted
*Low Middling Light Spotted

Light Gray Cotton

*Good Middling Light Gray
*Strict Middling Light Gray
*Middling Light Gray
*Strict Low Middling Light Gray

Gray Cotton

*Good Middling Gray
*Strict Middling Gray
*Middling Gray
*Strict Low Middling Gray

Yellow Stained Cotton

*Good Middling Yellow Stained
*Strict Middling Yellow Stained
*Middling Yellow Stained

Below Grade Cotton

*Below Grade Cotton

**OFFICIAL COTTON STANDARDS OF THE UNITED STATES FOR THE
GRADE OF AMERICAN EGYPTIAN COTTON**

Grade No. 1

Grade No. 6

Grade No. 2

Grade No. 7

Grade No. 3

Grade No. 8

Grade No. 4

Grade No. 9

Grade No. 5

*Grade No. 10

**OFFICIAL COTTON STANDARDS OF THE UNITED STATES FOR THE
GRADE OF SEA ISLAND COTTON**

Grade No. 1

Grade No. 4

*Grade No. 1-1/2

*Grade No. 4-1/2

Grade No. 2

Grade No. 5

*Grade No. 2-1/2

*Grade No. 5-1/2

Grade No. 3

Grade No. 6

*Grade No. 3-1/2

*Below Grade No. 6

World's Cotton Spindles as of December 31, 1965
1,000 spindles in place

North America:

Canada	824
Cuba	140
El Salvador	110
Mexico	1,647
United States	19,363
Others	182
	<u>22,266</u>

South America:

Argentina	1,050
Brazil	3,600
Chile	290
Colombia	600
Ecuador	125
Paraguay	(inc. in Others)
Peru	230
Uruguay	167
Venezuela	286
Others	46
	<u>6,394</u>

Western Europe:

Austria	518
Belgium	1,337
Denmark	55
Finland	209
France	4,299
Germany, West	5,091 (Sept. 30, 1965)
Greece	475
Italy	4,424
Netherlands	907
Norway	95
Portugal	1,194
Spain	2,580
Sweden	238
Switzerland	1,115
United Kingdom	5,345
Yugoslavia	850
Others	165
	<u>28,897</u>

USSR: ¹ 12,707

Eastern Europe:

Bulgaria	¹ 710
Czechoslovakia	¹ 2,102
Germany, East	¹ 1,586
Hungary	¹ 670
Poland	¹ 1,967
Rumania	¹ 700
	<u>7,735</u>

Asia & Oceania:

Australia	² 269
China (Mainland)	11,800
China (Taiwan)	553
Hong Kong	725
India	15,997
Indonesia	471
Iran	688
Iraq	54
Israel	314
Japan	³ 12,728
Korea, South	629
Lebanon	95
Pakistan	2,700
Philippines	654
Syria	141
Thailand	198
Turkey	1,031
So. Vietnam	110
Others	516
	<u>49,673</u>

Africa:

Congo (Kinshasa)	76
Ethiopia	122
Nigeria	118
Rep. of South Africa & Rhodesia	400
UAR	1,416
Others (Algeria, Ghana, Guinea, Morocco, Sudan, Tunisia, Uganda, etc.)	670
	<u>2,802</u>

Total, World 130,474

¹ Partly estimated. ² June 30, 1965. ³ Includes all synthetic fiber spindles plus cotton and rayon spindles temporarily in "mothball" storage.

Source: Cotton World Statistics, April 1967 issue, International Cotton Advisory Committee (compiled from reports of the International Federation of Cotton and Allied Textile Industries).

U.S. COTTON EXPORTS BY DESTINATION

[Running bales]

Destination	Year beginning August 1				
	Average 1960-64	1965	1966	Aug. - Mar.	
				1966	1967
				1,000 bales	1,000 bales
Austria	23	3	4	4	1
Belgium-Luxembourg	121	43	52	45	27
Denmark	14	7	8	5	6
Finland	17	8	15	11	8
France	319	108	163	125	105
Germany, West	269	92	159	133	82
Italy	345	102	263	187	188
Netherlands	110	38	31	25	22
Norway	13	10	10	9	4
Poland & Danzig	125	42	78	62	52
Portugal	21	6	1	1	4
Spain	74	10	1	1	5
Sweden	81	59	71	53	51
Switzerland	74	35	79	65	47
United Kingdom	244	131	153	112	89
Yugoslavia	112	169	139	135	58
Other Europe	17	12	11	9	12
Total Europe	1,979	875	1,238	982	761
Australia	61	33	17	13	16
Bolivia	7	4	9	9	0
Canada	353	269	297	185	112
Chile	18	3	3	2	(¹)
Colombia	3	57	1	1	0
Congo (Kinshasa)	6	25	34	8	0
Ethiopia	9	20	9	6	15
Ghana	1	1	15	9	5
Hong Kong	148	94	183	137	187
India	314	63	289	187	305
Indonesia	40	(¹)	161	130	(¹)
Israel	15	5	2	1	2
Jamaica	4	5	5	4	1
Japan	1,192	705	1,293	984	694
Korea, Rep. of	261	301	372	237	249
Morocco	12	12	14	10	17
Pakistan	14	6	3	3	18
Philippines	123	93	134	103	82
South Africa	41	27	38	28	16
Taiwan	209	178	373	270	207
Thailand	34	55	70	46	53
Tunisia	2	13	15	12	13
Uruguay	6	(¹)	0	0	0
Venezuela	8	5	1	1	(¹)
Vietnam, South	46	73	66	47	10
Other countries	18	20	27	23	19
Total	4,924	2,942	4,669	3,438	2,782

¹ Less than 500 bales.

LIST OF U.S. COTTON SHIPPERS

Regarding possible omissions, no discrimination is intended and no guarantee of reliability is implied.

AMERICAN COTTON SHIPPERS ASSOCIATION LIST SHOWING HEADQUARTERS OFFICES OF EXPORTING MEMBERS

1967-68

(Most of the firms listed have branch offices, which are not included in this list.)

Allen & Company, R. H.	45 Union Ave.	Memphis, Tenn. 38103
Alenberg Cotton Co., Inc.	P. O. Box 254	Memphis, Tenn. 38101
Allen, Gardner & Scott, Inc.	P. O. Box 1091	Spartanburg, S.C. 29301
Anderson, Clayton & Co., Inc.	P. O. Box 2026	Fresno, Calif. 93715
Anderson, Clayton & Co., Inc.	P. O. Box 117	Memphis, Tenn. 38101
Anderson, Clayton & Co., Inc.	P. O. Box 110	Lubbock, Tex. 79408
Armistead & Co., R. A.	109 S. Front St.	Memphis, Tenn. 38103
Aura & Co., Inc., M.	P. O. Box 2002	Dallas, Tex. 75221
Austin Cotton Co.	P. O. Box 729	Austin, Tex. 78767
Boswell Co., J. G.	510 S. Spring St.	Los Angeles, Calif. 90013
Brett & Co., Inc., J. L.	P. O. Box 2126	Harlingen, Tex. 78550
Centex (Central Texas Cotton Co.)	925 Cot. Exch. Bldg.	Houston, Tex. 77002
Chickasaw Cotton Co.	P. O. Box 309	Memphis, Tenn. 38101
Cook & Co., Inc.	P. O. Box 189	Fresno, Calif. 93707
Cook & Co., Inc.	P. O. Box 265	Memphis, Tenn. 38101
Cotton Import & Export Co.	P. O. Box 183	Dallas, Tex. 75221
Covington & Smith Co., of Fresno	P. O. Box 5058	Fresno, Calif. 93755
Covington & Smith Co., of Lubbock	P. O. Box 1170	Memphis, Tenn. 38101
Crawford & Co.	P. O. Box 9252	Memphis, Tenn. 38101
Dallas Cotton Co.	P. O. Box 183	Dallas, Tex. 75201
Daltroff & Co., Inc., Louis S.	P. O. Box 1219	Memphis, Tenn. 38101
Dixon & Bro., Inc., R. L.	601 Cot. Exch. Bldg.	Dallas, Tex. 75201
Dunavant & Co., W. B.	63 E. Belmont	Fresno, Calif. 93701
Dunavant & Co., W. B.	P. O. Box 443	Memphis, Tenn. 38101
Esteve Bros. & Co., Inc.	P. O. Box 2129	Dallas, Tex. 75221
Esteve Cotton Co.	P. O. Box 114	Dallas, Tex. 75201
Farris & Co.	P. O. Box 2002	Dallas, Tex. 75221
Farrish & Seymour Cotton Co.	P. O. Box 1772	Memphis, Tenn. 38101
Ferguson Co., T. D.	218 Cot. Exch. Bldg.	Dallas, Tex. 75201
Flake & Co., T. J.	928 Cot. Exch. Bldg.	Memphis, Tenn. 38103
Frye & Co., Berson	P. O. Box 348	Fresno, Calif. 93708
Gardner & Co.	P. O. Box 1500	Memphis, Tenn. 38101
Gibbons & Co., Geo. E.	P. O. Box 1007	Corpus Christi, Tex. 78403
Goedecke, Inc., Otto	P. O. Box 387	Hallettsville, Tex. 77964
Gosch & Co., W. D.	P. O. Box 522	Dallas, Tex. 75221
Gould & Co., H. R.	800 Cot. Exch. Bldg.	New Orleans, La. 70130

Hannay Brothers	803 Cot. Exch. Bldg.	Dallas, Tex. 75201
Hanslik-Cotton, Adolph	P. O. Box 2668	Lubbock, Tex. 79408
Henderson Cotton Co.	P. O. Box 2742	Houston, Tex. 77001
Hill Cotton Co., Jim	P. O. Box 599	Memphis, Tenn. 38101
Hohenberg Bros. Co.	P. O. Box 193	Memphis, Tenn. 38101
Hoover & Co., Inc., R. T.	P. O. Box 1769	El Paso, Tex. 79949
Hopkins & Co., Joe C.	915 Cot. Exch. Bldg.	Dallas, Tex. 75201
Houchin-Bleecker Co.	P. O. Box 98	Buttonwillow, Calif. 93206
Houston Cotton Co.	925 Cot. Exch. Bldg.	Houston, Tex. 77002
Itoh & Co. (America), Inc., C.	P. O. Box 1326	Dallas, Tex. 75221
Japan Cotton Co.	P. O. Box 1247	Dallas, Tex. 75221
Kanematus-Gosho (U.S.A.), Inc.	219 Cot. Exch. Bldg.	Dallas, Tex. 75201
Kempner, H.	P. O. Box 119	Galveston, Tex. 77551
Lassberg & Co., A.	P. O. Box 729	Austin, Tex. 78767
Lawrence & Co., James	232 Madison Ave.	New York, N.Y. 10016
Lawson & Co., W. D.	P. O. Box 339	Gastonia, N. C. 28053
McClung Cotton Co., R. G.	P. O. Box 215	Dallas, Tex. 75221
McFadden & Bro., Inc., Geo. H.	P. O. Box 668	Fresno, Calif. 93709
McFadden & Bro., Inc., Geo. H.	P. O. Box 168	Memphis, Tenn. 38101
McSpadden & Co.	P. O. Box 1700	Memphis, Tenn. 38101
Marubeni-Iida (Cotton) Co.	P. O. Box 1796	Dallas, Tex. 75221
Maudr Co., V. A.	925 Cot. Exch. Bldg.	Houston, Tex. 77002
Mitsubishi International Corp.	625 Cot. Exch. Bldg.	Houston, Tex. 77002
Mitsui & Co. (U.S.A.), Inc.	P. O. Box 351	Calexico, Calif. 92231
Moffatt Cotton Co.	P. O. Box 6651	Phoenix, Ariz. 85005
Molson & Co., H.	P. O. Box 2132	Dallas, Tex. 75221
Nebhut Cotton Co.	210 Cot. Exch. Bldg.	Memphis, Tenn. 38103
Nissho American Corp.	1219 Cot. Exch. Bldg.	Houston, Tex. 77002
Oakes & Co., Frank	P. O. Box 3241	Memphis, Tenn. 38101
Pan American Cotton Co.	P. O. Box 52216	Houston, Tex. 77052
Paschall Co., Inc., Norman W.		Peachtree City, Ga. 30214
Pauls & Co., P. G.	1017 Cot. Exch. Bldg.	Houston, Tex. 77002
Paxton Co., Inc., A. G.	P. O. Box 716	Greenville, Miss. 38702
Powers, Coursey Cotton Co., Inc.	813 W. Madison	Phoenix, Ariz. 85007
Rabb Cotton Co., W. P.	419 Myrtle Ave.	El Paso, Tex. 79901
Ray & Co., W. B.	P. O. Box 2096	Corpus Christi, Tex. 78403
Reinhart Co.	714 Cot. Exch. Bldg.	Houston, Tex. 77002
Robertson Co., Caffey	806 Cot. Exch. Bldg.	Memphis, Tenn. 38103
Rountree Cotton Co., Inc.	P. O. Box 1380	Las Cruces, N. M. 88001
Russell Cotton Co., W. T.	P. O. Box 506	Wills Point, Tex. 75401

Schwabach, Kempner, Perutz, Inc.	1610 Cot. Exch. Bldg.	Dallas, Tex. 75201
Smith & Sons, Jess	P. O. Box 1178	Bakersfield, Calif. 93302
Staple Cotton Cooperative Assn.	214 W. Market St.	Greenwood, Miss. 38931
Sternberg-Martin & Co., Inc.	1203 Cot. Exch. Bldg.	Dallas, Tex. 75201
Stoneham & Co., Jack J.	P. O. Box 1410	Dallas, Tex. 75221
Stubblefield & Co., C.	P. O. Box 385	Hillsboro, Tex. 76645
Sumitomo Shoji, Inc.	803 Cot. Exch. Bldg.	Dallas, Tex. 75201
Tapp & Co., R. S.	P. O. Box 2429	Lubbock, Tex. 79408
Taylor & Son, Inc., A. Starke	1607 Cot. Exch. Bldg.	Dallas, Tex. 75201
Tindall Cotton Co., J. R.	P. O. Box 1117	Lubbock, Tex. 79408
Toyo Cotton Co.	P. O. Box 898	Dallas, Tex. 75221
Traylor, Jr., Geo. H.	P. O. Box 2429	Lubbock, Tex. 79408
Turner & Co., Buford E.	920 Cot. Exch. Bldg.	Dallas, Tex. 75201
Volkart Bros., Inc.	P. O. Box 1149	Pasadena, Calif. 91102
Walker & Co., Joseph	P. O. Box 11359	Columbia, S. C. 29211
Weil Bros.-Cotton, Inc.	P. O. Box 100	Montgomery, Ala. 36101
Weil Bros.-Cotton, Inc.	P. O. Box 528	Fresno, Calif. 93709
Weil Bros.-Cotton, Inc.	P. O. Box 284	Memphis, Tenn. 38101
Weil Bros.-Cotton, Inc.	P. O. Box 847	Houston, Tex. 77001
West & Co., S. Y.	P. O. Box 1077	Dallas, Tex. 75221
Westates Cotton Co.	P. O. Box 595	Lubbock, Tex. 79408
Wheatley & Co., Parker	P. O. Box 1816	Memphis, Tenn. 38101
White, Cuba H.	712 Cot. Exch. Bldg.	Dallas, Tex. 75201
White & Co., L. Gordon	426 S. Spring St.	Los Angeles, Calif. 90013
Williams Cotton Co.	P. O. Box 812	Memphis, Tenn. 38101

COTTON COOPERATIVES

(Not members of American Cotton Shippers
Association except Staple Cotton Cooperative Association.)

The names of cotton marketing cooperatives are as follows:

Calcot, Ltd., P. O. Box 3217, Bakersfield, Calif.
The Cotton Producers Association, P. O. Box 2210, Atlanta 1, Ga.
Staple Cotton Cooperative Association, 116-118 Howard Street, Greenwood, Miss.
Texas Cotton Growers Cooperative Association, 1708 St. Louis St., Dallas, Tex.
American Cotton Cooperative Association, P. O. Box 1056, Atlanta, Ga.
Southwest Irrigated Cotton Growers Association, Inc., P. O. Box 1709, El Paso, Tex.
Mid-South Cotton Growers Association, 44 South Front St., Memphis 1, Tenn.
Plains Cotton Cooperative Association, P. O. Box 930, Lubbock, Tex. 79408
Quality Cotton Growers Association, Inc., Lubbock, Tex.

